1. General information

Aluminum Corporation of China Limited (中國鋁業股份有限公司) (the "Company") and its subsidiaries (together the "Group") are principally engaged in bauxite mining, alumina refining and aluminum smelting. Its principal products are alumina and primary aluminum.

The Company is a joint stock company incorporated on September 10, 2001 in the People's Republic of China (the "PRC") with limited liability. The address of its registered office is No. 62 North Xizhimen Street, Haidian District, Beijing, the PRC.

The Company had its dual listing on The Stock Exchange of Hong Kong Limited and New York Stock Exchange in 2001. The Company also listed its A shares on the Shanghai Stock Exchange (the "SSE") on April 30, 2007.

These consolidated financial statements have been approved for issue by the Board of Directors on March 17, 2008.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2. Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(i) Standard, amendment and interpretation effective in 2007 that are relevant to the Group

- HKFRS 7, Financial Instruments: Disclosures and a complementary amendment to Hong Kong Accounting Standard ("HKAS") 1, Presentation of Financial Statements — Capital Disclosures. HKFRS 7 introduces new disclosures relating to financial instruments. This standard introduces certain revised disclosure requirements, including the mandatory disclosures on sensitivity analysis for each type of market risk. It replaces HKAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in HKAS 32, Financial Instruments: Disclosure and Presentation and is applicable to all entities reporting under HKFRS. The amendment to HKAS 1 introduces disclosures on the objectives, policies and processes for managing capital. Except for an extension of disclosures, management considered there was no significant impact from adopting HKFRS 7 and the amendment to HKAS 1 on the financial statements of the Group.

- HK (IFRIC) Interpretation 10, Interim Financial Reporting and Impairment. This interpretation prohibits the impairment losses recognized in a previous interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at subsequent balance sheet dates. Management considered there was no significant impact from adopting HK (IFRIC) Interpretation 10 on the financial statements of the Group.

(ii) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following standards have been published and are relevant to the operation of the Group. They are mandatory for the Group's accounting periods beginning on or after January 1, 2009 or later periods, but have not been early adopted by the Group:

2. Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- HKAS 1, "Presentation of financial statements" (effective for annual periods beginning on or after January 1, 2009), replaces HKAS 1 (revised in 2004) as amended in 2005 and establishes the amendments to the presentation of information in the financial statements. It requires the presentation of recognized income and expenses in a statement of comprehensive income or in a statement of profit or loss together with a statement of comprehensive income, separately from owner changes in equity. All other non-owner changes in equity and related current and deferred tax should also be presented separately from the owner changes in equity. HKAS 1 also requires, as a minimum, the presentation of three statements of financial position (balance sheet) in a complete set of financial statements whenever there is a prior period adjustment or a reclassification of items in the financial statements — as at the end of the current period, the end of the comparative period and the beginning of the comparative period. Dividends recognized as distributions to owners and related per-share amounts should be presented on the face of statement of changes in equity or in the notes and not on the face of the statement of comprehensive income or the face of income statement. The Group will apply HKAS 1 in its financial statements for the period commencing from January 1, 2009. Management does not expect any material impact from adopting HKAS 1 on the financial statements of the Group.

- HKAS 23, "Borrowing costs" (effective for annual periods beginning on or after January 1, 2009). It supersedes HKAS 23 revised in 2004 and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 from January 1, 2009. The adoption of HKAS 23 will not affect the Group as interest and other costs on borrowings to finance the construction of property, plant and equipment are capitalized under the existing accounting policy of the Group.

2. Summary of significant accounting policies *(Continued)*

(a) Basis of preparation *(Continued)*

(ii) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Group *(Continued)*

- HKFRS 8, "Operating segments" (effective for annual periods beginning on or after January 1, 2009). HKFRS 8 replaces HKAS 14 and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from January 1, 2009. The expected impact is still being assessed by management.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to December 31.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group from third parties. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2(g)(i)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

2. Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

Merger accounting method stipulated under Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" is used to account for acquisitions of subsidiaries under common control before and after the acquisitions. The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or the excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over their cost at the time of the common control combination, to the extent of the continuation of the controlling party's interest. The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever period is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining the operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting method are recognized as expenses in the period in which they are incurred.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2(h)), if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) Transactions and minority interest

The Group applies a policy of treating transactions with minority interest as transactions with equity owners of the Group. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interest are also recorded in equity. For disposals to minority interest, the difference between any proceeds received and the relevant share of the minority interest are also recorded in equity.

(iii) Jointly controlled entities

A jointly controlled entity is the result of contractual arrangements whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

2. Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(iii) Jointly controlled entities *(Continued)*

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses, if any. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(iv) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) indentified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Summary of significant accounting policies *(Continued)*

(b) Consolidation *(Continued)*

(iv) Associates *(Continued)*

In the Company's balance sheet, the investments in associates are stated at cost less provision for impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2. Summary of significant accounting policies (Continued)

(e) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives down to their residual values, as follows:

Buildings	15 to 40 years
Plant and machinery — electricity transmission equipment	32 years
Plant and machinery — others	10 to 20 years
Motor vehicles and transportation facilities	6 to 12 years
Office and other equipment	5 to 10 years

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset and are recognized within 'general and administrative expenses' in the income statement.

2. Summary of significant accounting policies *(Continued)*

(f) Construction-in-progress ("CIP")

CIP represents buildings, various plant and equipment under construction and pending installation, and is stated at cost. Cost comprises direct costs of construction as well as capitalized finance costs related to funds borrowed specifically for the purpose of obtaining a qualifying asset less any accumulated impairment losses. It is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities respectively and is tested for impairment as part of the overall balances. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The Group allocates goodwill to each business segment and is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2. Summary of significant accounting policies *(Continued)*

(g) Intangible assets *(Continued)*

(ii) Mining rights

Mining rights acquired are capitalized after the Group obtained the legal rights to explore a specific area and stated at cost to the Group less accumulated amortization and accumulated impairment losses, if any. Amortization of mining rights is calculated to write off their cost less accumulated impairment losses on a straight-line basis over their estimated useful lives of no longer than 30 years.

(iii) Research and development expenses

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(b) management intends to complete the intangible asset and use or sell it;

(c) there is an ability to use or sell the intangible asset;

(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

2. Summary of significant accounting policies *(Continued)*

(g) Intangible assets *(Continued)*

(iii) Research and development expenses *(Continued)*

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding 10 years.

Development assets are tested for impairment annually.

(iv) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5 years).

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Summary of significant accounting policies *(Continued)*

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'accounts receivable, net', 'other current assets' and 'cash and cash equivalents' in the balance sheet.

2. Summary of significant accounting policies *(Continued)*

(i) Financial assets *(Continued)*

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group was to sell other than an insignificant amount of held-to-maturity investments, the whole category would be reclassified as available-for-sale. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of investments are recognized on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other gains, net' in the period in which they arise. Changes in the fair value of monetary securities classified as available-for-sale are recognized in equity.

2. Summary of significant accounting policies *(Continued)*

(i) Financial assets *(Continued)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'other gains, net'. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement — is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. The impairment loss of held-to-maturity investments is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of such an asset is reduced either directly or through use of an allowance account while the amount of such losses is recognized in the income statement. Impairment testing of accounts receivable and other receivables is described in Note 2(j).

2. Summary of significant accounting policies *(Continued)*

(j) Accounts receivable and other receivables

Accounts receivable and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within "general and administrative expenses". When a receivable is uncollectible, it is written off against the allowance account for the receivable. Subsequent recoveries of amounts previously written off are credited against "general and administrative expenses" in the income statement.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits with banks and other cash investments with original maturities of 3 months or less.

For the purpose of the cash flow statement, time deposits and other cash investments with original maturities of more than 3 months are excluded from cash and cash equivalents.

2. Summary of significant accounting policies (Continued)

(l) Inventories

Inventories comprise raw materials, work-in-progress, finished goods and production supplies and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Work-in-progress and finished goods, comprise materials, direct labor and an appropriate proportion of all production overhead expenditure. Borrowing costs are excluded. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provision for or reversal of inventory obsolescence are determined by comparing net realizable value with the carrying amount and are recognized within "general and administrative expenses" in the income statement.

(m) Accounts payable and other payables

Accounts payables and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(n) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. Summary of significant accounting policies *(Continued)*

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Borrowing costs capitalized are those costs that would have been avoided if the expenditure on the qualifying assets had not been made, which are either the actual costs incurred on a specific borrowing or an amount calculated using the weighted average method, considering all borrowing costs incurred on general borrowings outstanding.

Other borrowing costs are expensed as incurred.

(p) Current and deferred tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. Summary of significant accounting policies *(Continued)*

(q) Employee benefits

(i) Bonus plans

The expected cost of bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(ii) Retirement benefit obligations

The Group pays contribution on a monthly basis to various defined contribution retirement benefit plans organized by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under these plans. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods. Contributions to these plans are expensed as incurred.

(iii) Housing funds

The Group provides housing funds based on certain percentage of wages and at no more than the upper limit of the requirement. The housing funds are paid to social security organization and the amounts paid are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to employee service in the current and prior periods.

2. Summary of significant accounting policies *(Continued)*

(r) Provisions

Provisions for environmental restoration and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax cash flow projection that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

(s) Government grants

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2. Summary of significant accounting policies *(Continued)*

(t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Revenue from the sale of goods is recognized on the transfer of risks and rewards of ownership, which occurs at the time when the goods are delivered to customers and title has passed. No amount of revenue is recorded when the amount of revenue and the costs incurred or to be incurred in respect of the transaction cannot be measured reliably.

(ii) Sales of services

Revenue from the provision of services is recognized when the services are rendered.

(iii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(iv) Dividend income

Dividend income is recognized when the right to receive payment is established.

2. Summary of significant accounting policies *(Continued)*

(u) Leases (as the lessee for operating lease)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the term of the lease.

(v) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

(w) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3. Financial and capital risks management

(a) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the treasury management department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

3. Financial and capital risks management *(Continued)*

(a) Financial risk management *(Continued)*

(i) Market risk

- *Foreign currency risk*

Foreign exchange risk primarily arises from certain foreign currency deposits, short-term and long-term loans denominated in US Dollar ("USD"), Australian Dollar ("AUD") and Japanese Yen ("JPY"). Related exposures are disclosed in Notes 16 and 21 to the financial statements, respectively. The Group Treasury closely monitors the international foreign currency market on the changing exchange rates and takes these into consideration when investing in foreign currency deposits and loans raising. As the foreign currency denominated assets and liabilities are minimal to the assets and liabilities of the Group, the Directors are of the opinion that the Group is not exposed to any significant foreign exchange risk as of December 31, 2007 and 2006.

- *Fair value and cash flow interest rate risk*

As the Group has no significant interest-bearing assets except for bank deposits (Note 16), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Most of the bank deposits are maintained in the savings and fixed deposits accounts in the PRC. The interest rates are regulated by the People's Bank of China while the Group Treasury closely monitors the fluctuation on such rates periodically. As the average rates applied to the deposits are relatively low, the Directors are of the opinion that the Group is not exposed to any significant interest rate risk for such financial assets held by the Group as of December 31, 2007 and 2006.

3. Financial and capital risks management *(Continued)*

(a) Financial risk management *(Continued)*

(i) Market risk *(Continued)*

- *Fair value and cash flow interest rate risk (Continued)*

The interest rate risk of the Group primarily arises from long-term loans and bonds. Loans borrowed at variable interest rates expose the Group to cash flow interest rate risk while bonds and loans issued/borrowed at fixed interest rates expose the Group to fair value interest rate risk. The exposures to these risks are disclosed separately in Note 21 to the financial statements. The Group enters into debt obligations to support general corporate purposes including capital expenditures and working capital needs. The Group Treasury closely monitors the market interest rates and maintains a balance between variable rate and fixed rate borrowings in order to reduce the exposures to any one form of interest rate risk.

As of December 31, 2007, if interest rate had increased/decreased by 0.064% (2006: 0.218%) with all other variables held constant, post-tax profit for the year would have been RMB7 million (2006: RMB19 million) lower/higher, respectively. The ranges of such sensitivity disclosed above were based on the observation of management on the historical trend of related interest rates over the past 1 year and are consistent with the measures reported to key management personnel in assessing this risk. The change from 2006 is primarily attributable to the advances and repayments of principal during the year.

3. Financial and capital risks management *(Continued)*

(a) Financial risk management *(Continued)*

(i) Market risk *(Continued)*

- *Commodity price risk*

The Group uses a limited number of futures contracts to reduce its exposure to fluctuations in the price of primary aluminum.

The Group uses the majority of its future contracts traded on the Shanghai Futures Exchange and London Metal Exchange to hedge against fluctuations in aluminum price. The future contracts are marked to market at the balance sheet date and the corresponding unrealized holding gains/losses are recorded in the income statement for the year (Note 22). The exposure of the Group and the Company on the such future contracts are presented on the balance sheet.

As of December 31, 2007, if the primary aluminum futures price had been increased/decreased by 1% and all other variables held constant, post-tax profit would have been increased/decreased by RMB900,000 (2006: decreased/increased by RMB20 million). Such sensitivity is determined based on the historical trend of related commodity price over the past 3 years and are consistent with the measures reported to key management personnel in assessing this risk. The change from 2006 is primarily attributable to the significant decrease of the number of unsettled contracts in 2007 and the opposite position of short contracts and long contracts between 2006 and 2007.

3. Financial and capital risks management *(Continued)*

(a) Financial risk management *(Continued)*

(ii) Credit risk

Credit risk is managed on a group basis. Credit risk arises from bank balances, other receivables as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company also provided financial guarantees to certain of its subsidiaries. The carrying amounts of these receivables and amounts of respective financial guarantees included in Notes 14, 15, 16 and 21 to the financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets and guarantees.

The Group maintains substantially most of its bank balances and cash in interest bearing accounts in several major state-owned financial institutions in the PRC (Note 34(c)). With strong State support provided to these state-owned financial institutions, the Directors are of the opinion that there is no significant credit risk on such assets being exposed.

With regard to accounts receivable, the marketing department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group performs periodic credit evaluations of its customers and believes that adequate provision for doubtful receivables have been made in the financial statements. Management does not expect any losses from non-performance by these counterparties. The Group does not hold any collateral as security for these receivables.

As of December 31, 2007 and 2006, none of the individual customers exceed 10% of the Group's total revenue, and thus, no significant concentration of credit risk existed.

The Company assessed the credibility of the subsidiaries by reviewing the operating results and gearing ratios annually when measuring any potential liabilities arising from the default risk of such subsidiaries.

3. Financial and capital risks management *(Continued)*

(a) Financial risk management *(Continued)*

(iii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and short-term deposits, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

As of December 31, 2007, the Group had total banking facilities of approximately RMB49,764 million (2006: RMB50,082 million). Out of the total banking facilities granted, amounts totaling RMB16,246 million have been utilized as of December 31, 2007 (2006: RMB13,680 million). Banking facilities of approximately RMB31,000 million will be subject to renewals in 2008. The Directors of the Company are confident that such banking facilities can be renewed upon expiration.

In addition, as of December 31, 2007, the Group had credit facilities through its primary aluminum futures agent at the London Metal Exchange amounting to USD53 million (equivalent to RMB387 million) (2006: USD64 million (equivalent to RMB500 million)) which USD822,000 (equivalent to RMB6 million) (2006: USD10 million (equivalent to RMB79 million)) has been utilized. The futures agent has the right to adjust the related credit facilities.

3. Financial and capital risks management *(Continued)*

(a) Financial risk management *(Continued)*

(iii) Liquidity risk *(Continued)*

Management also monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The table below analyzes the Group's and the Company's long-term financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity dates. All other financial liabilities, primarily including accounts payable, other payables and accruals are due within the next 12 months from the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. The expected future cash flows of balances within 12 months approximate their carrying balances, as the impact of the discounting is not significant.

	Group				
	Within 1 year RMB'000	1-2 years RMB'000	2-5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2007					
Long-term loans	2,194,022	2,308,253	4,950,259	4,880,748	14,333,282
Long-term bonds	—	—	—	2,000,000	2,000,000
Interest payable for borrowings	978,420	719,815	1,522,439	602,147	3,822,821
Interest payable for bonds	196,500	90,000	270,000	450,000	1,006,500
	3,368,942	3,118,068	6,742,698	7,932,895	21,162,603
As of December 31, 2006					
Long-term loans	2,875,963	2,158,802	4,505,406	2,142,271	11,682,442
Interest payable for borrowings	677,183	458,343	678,070	117,139	1,930,735
Interest payable for bonds	93,900	—	—	—	93,900
	3,647,046	2,617,145	5,183,476	2,259,410	13,707,077

3. Financial and capital risks management (Continued)

(a) Financial risk management (Continued)

(iii) Liquidity risk (Continued)

	Company				
	Within 1 year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2007					
Long-term loans	1,549,938	1,051,969	1,893,908	2,348,477	6,844,292
Long-term bonds	—	—	—	2,000,000	2,000,000
Interest payable for borrowings	407,111	311,949	561,927	181,261	1,462,248
Interest payable for bonds	196,500	90,000	270,000	450,000	1,006,500
	2,153,549	1,453,918	2,725,835	4,979,738	11,313,040
As of December 31, 2006					
Long-term loans	2,229,218	1,361,058	1,702,174	147,704	5,440,154
Interest payable for borrowings	257,058	144,163	94,416	23,420	519,057
Interest payable for bonds	93,900	—	—	—	93,900
	2,580,176	1,505,221	1,796,590	171,124	6,053,111

3. Financial and capital risks management *(Continued)*

(b) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Techniques, such as estimated discounted cash flows, are used to determine fair value for the financial instruments.

The carrying value less impairment provision of accounts and other receivables, bank balances and cash, accounts and other payables and accruals, short-term bonds and short-term loans are assumed to approximate their fair values. The fair values of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial instruments.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts are calculated as total borrowings (including borrowings, other non-current liabilities, accounts payable and provision for other charges and liabilities, as shown in the consolidated balance sheet) less bank balances and cash. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debts less minority interest.

3. Financial and capital risks management (Continued)

(c) Capital risk management (Continued)

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio under 35%. The gearing ratios as of December 31, 2007 and 2006 were as follows:

	2007 RMB'000	2006 RMB'000
Total borrowings	32,618,414	30,699,495
Less: bank balances and cash	(7,802,907)	(12,983,061)
Net debts	24,815,507	17,716,434
Total equity	61,016,769	49,266,562
Add: net debts	24,815,507	17,716,434
Less: minority interest	(3,072,622)	(4,470,819)
Total capital	82,759,654	62,512,177
Gearing ratio	29.99%	28.34%

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will adjust the depreciation charge where useful lives vary with previously estimated lives, or they will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of property, plant and equipment.

(b) Estimated impairment of property, plant and equipment

The Group tests whether property, plant and equipment suffered any impairment whenever any impairment indication exists. In accordance with the Note 2(h), an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of property, plant and equipment.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of goodwill.

5. Business combinations

2007

Acquisition of Lanzhou Aluminum Co., Limited ("Lanzhou Aluminum")

Prior to April 24, 2007, the Company held 28% equity interest in Lanzhou Aluminum, a company listed on the SSE and principally engaged in the manufacturing and trading of primary aluminum products. On April 24, 2007, the Company issued 631,931,739 A shares in exchange for the remaining 72% shares owned by the other shareholders of Lanzhou Aluminum. Upon the effective date of this acquisition, Lanzhou Aluminum became a wholly-owned subsidiary of the Company and this subsidiary was delisted on April 30, 2007.

The acquired business contributed revenue and profit of approximately RMB3,415 million and RMB524 million to the Group, prior to intra-group elimination with the Group, for the period from the date of acquisition to December 31, 2007. If the acquisition occurred on January 1, 2007, the acquired business would have contributed unaudited revenue and unaudited profit for the year of approximately RMB4,510 million and RMB672 million to the Group, prior to intra-group elimination with the Group, respectively.

Details of net assets acquired and goodwill are as follows:

	RMB'000
Fair value of purchase consideration *(Note a)*	4,324,319
Fair value of proportionate share of net identifiable assets acquired *(Note b)*	(2,400,060)
Goodwill *(Note c)*	1,924,259

Notes:

(a) The fair value of puchase consideration was determined by reference to the proportionate interests in the fair value of Lanzhou Aluminum as of April 24, 2007.

5. Business combinations *(Continued)*

2007 *(Continued)*

Acquisition of Lanzhou Aluminum *(Continued)*

Note (Continued):

(b) The fair values of the assets and liabilities arising from the acquisition approximated their carrying amounts and are as follows:

	RMB'000
Bank balances and cash	313,662
Property, plant and equipment *(Note 8)*	5,739,957
Land use rights	78,150
Available-for-sale financial assets *(Note 12)*	5,000
Inventories	823,792
Receivables and prepayments	766,983
Other current assets	19,380
Deferred tax assets *(Note 17)*	15,477
Other non-current assets	1,513
Payables and accruals	(634,435)
Borrowings	(3,169,662)
Other liabilities	(226,234)
Minority interest	(400,165)
Net identifiable assets	3,333,418
Percentage of interest acquired	72%
Fair value of proportional net identifiable assets acquired	2,400,060
Cash and cash equivalents acquired	313,662

(c) Goodwill arising from this acquisition is attributable to the high profitability of the acquired business and the significant synergies expected to arise after the acquisition.

5. Business combinations *(Continued)*

2007 *(Continued)*

Acquisition of Baotou Aluminum Co., Limited ("Baotou Aluminum")

On December 28, 2007, the Company acquired 100% of the share capital of Baotou Aluminum, a company listed on the SSE and principally engaged in the manufacturing and trading of primary aluminum products. The Company issued 637,880,000 shares in exchange for all the shares of Baotou Aluminum. Baotou Aluminum was delisted on December 26, 2007. Upon the effective date of this acquisition, Baotou Aluminum became a wholly-owned subsidiary of the Company.

As both the Company and Baotou Aluminum are under the common control of Aluminum Corporation of China ("Chinaco") before and after the acquisition, this transaction was accounted for as a common control business combination. The Company adopted merger accounting stated in Note 2(b)(i). The following is a reconciliation of the effect arising from the common control business combination on the consolidated balance sheet.

5. Business combinations *(Continued)*

2007 *(Continued)*

Acquisition of Baotou Aluminum *(Continued)*

The consolidated balance sheet as of December 31, 2007:

	The Group	Baotou Aluminum	Adjustments (Note)	Consolidated
	RMB'000	RMB'000	RMB'000	RMB'000
Investment in Baotou Aluminum	2,013,772	—	(2,013,772)	—
Other assets, net	59,024,337	2,014,316	(21,884)	61,016,769
Net assets	61,038,109	2,014,316	(2,035,656)	61,016,769
Share capital	13,524,488	431,000	(431,000)	13,524,488
Capital reserve	15,188,801	587,250	(736,458)	15,039,593
Surplus reserves	5,719,084	286,053	(286,053)	5,719,084
Cumulative translation difference	10,047	—	—	10,047
Available-for-sale investment revaluation reserve	7,547	—	—	7,547
Retained earnings	23,516,065	709,468	(582,145)	23,643,388
Minority interest	3,072,077	545	—	3,072,622
	61,038,109	2,014,316	(2,035,656)	61,016,769

Note: The above adjustments represent: (i) the elimination of investment of the Company in Baotou Aluminum; and (ii) the elimination of unrealized profit on inventories between the Group and Baotou Aluminum.

5. Business combinations *(Continued)*

2007 *(Continued)*

Acquisition of Baotou Aluminum *(Continued)*

The consolidated balance sheet as of December 31, 2006:

	The Group	Baotou Aluminum	Adjustments *(Note)*	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net assets	47,765,926	1,680,271	(179,635)	49,266,562
Share capital	11,649,876	431,000	(431,000)	11,649,876
Capital reserve	10,009,225	586,657	(74,402)	10,521,480
Surplus reserves	5,351,968	232,347	(128,492)	5,455,823
Retained earnings	17,213,665	429,364	(474,465)	17,168,564
Minority interest	3,541,192	903	928,724	4,470,819
	47,765,926	1,680,271	(179,635)	49,266,562

Note: The above adjustments represent: (i) the reduction of the capital reserve of the Company for acquisition of the net assets of Baotou Aluminum; and (ii) the elimination of unrealized profit on inventories between the Group and Baotou Aluminum.

5. Business combinations *(Continued)*

2006

Acquisitions of Fushun Aluminum Co., Ltd. ("Fushun Aluminum"), Zunyi Aluminum Co., Ltd. ("Zunyi Aluminum"), Shandong Huayu Aluminum and Power Co., Ltd. ("Huayu Aluminum") and Gansu Hualu Aluminum Co., Ltd. ("Hualu Aluminum")

During 2006, the Group completed the acquisition of the following entities incorporated and operated in the PRC, which are engaged in the manufacturing and trading of primary aluminum products.

Date of acquisition	Name of entity	Equity interest acquired	Consideration paid/payable
			RMB'000
March 11, 2006	Fushun Aluminum	100%	500,000
July 15, 2006	Zunyi Aluminum	61.29%	202,251
July 18, 2006	Huayu Aluminum	55%	412,252
September 19, 2006	Hualu Aluminum	51%	270,300
			1,384,803

5. Business combinations (Continued)

2006 (Continued)

Acquisitions of Fushun Aluminum, Zunyi Aluminum, Huayu Aluminum and Hualu Aluminum *(Continued)*

The acquired businesses contributed revenue in aggregate of RMB3,924 million and net profits of RMB458 million to the Group for the period from the respective dates of acquisitions to December 31, 2006. Had all the acquisitions been occurred on January 1, 2006, the acquired businesses would have contributed in unaudited aggregate revenue of approximately RMB4,593 million and unaudited net profit of approximately RMB495 million to the Group for the period from January 1, 2006 to December 31, 2006. Contributions by each acquisition are summarized below:

	Contribution by the acquired businesses from the respective dates of acquisitions to December 31, 2006		Had the acquisitions taken place on January 1, 2006, contribution by the acquired businesses	
	Revenue	Net profit	Revenue (unaudited)	Net profit (unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fushun Aluminum	1,607,961	86,240	1,697,947	87,596
Zunyi Aluminum	718,455	153,696	1,297,348	189,584
Huayu Aluminum	1,020,194	129,469	1,020,194	129,469
Hualu Aluminum	577,465	88,655	577,465	88,655
	3,924,075	458,060	4,592,954	495,304

5. Business combinations *(Continued)*

2006 *(Continued)*

Acquisitions of Fushun Aluminum, Zunyi Aluminum, Huayu Aluminum and Hualu Aluminum *(Continued)*

Details of net assets acquired and excess of cost over acquired interest of the above businesses during 2006 in aggregate are as follows:

	RMB'000
Purchase consideration — cash	1,384,803
Fair value of proportionate share of net identifiable assets acquired (See below)	(1,562,775)
Excess of interest in the net fair value of net assets acquired over cost *(Note 22)*	(177,972)

5. Business combinations (Continued)

2006 (Continued)

Acquisitions of Fushun Aluminum, Zunyi Aluminum, Huayu Aluminum and Hualu Aluminum *(Continued)*

	Fushun Aluminum		Zunyi Aluminum		Huayu Aluminum		Hualu Aluminum		Total	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment *(Note 8)*	832,546	832,546	585,711	673,153	1,659,986	1,665,169	829,798	830,065	3,908,041	4,000,933
Land use rights	194,175	194,175	53,285	91,379	110,737	119,552	172,252	172,252	530,449	577,358
Inventories	171,208	171,208	60,068	60,068	204,379	204,379	230,802	230,802	666,457	666,457
Deferred tax assets *(Note 17)*	—	—	22,821	22,821	—	—	10,353	10,353	33,174	33,174
Receivables	5,826	5,826	142,569	142,569	10,000	10,000	230,556	230,556	388,951	388,951
Cash and cash equivalents	1,392	1,392	241,402	241,402	—	—	269,879	269,879	512,673	512,673
Payables and accruals	(122,374)	(122,374)	(225,989)	(225,989)	(472,552)	(472,552)	(412,491)	(412,491)	(1,233,406)	(1,233,406)
Borrowings	(581,400)	(581,400)	(537,100)	(537,100)	(613,050)	(613,050)	(798,170)	(798,170)	(2,529,720)	(2,529,720)
Net assets	501,373	501,373	342,767	468,303	899,500	913,498	532,979	533,246	2,276,619	2,416,420
Minority interest		—		(181,281)		(411,074)		(261,290)		(853,645)
Net assets acquired		501,373		287,022		502,424		271,956		1,562,775
Purchase consideration										1,384,803
Purchase consideration remained unsettled as of December 31, 2006 (included in provisions for other charges and liabilities *(Note 19)*)										(400,000)
Cash and cash equivalents in subsidiaries acquired										(512,673)
Cash outflow on acquisitions										472,130

6. Acquisitions of minority interest

Acquisition of minority interest in Shandong Aluminum Industry Co., Ltd. ("Shandong Aluminum")

Prior to April 24, 2007, the Company held 71.43% equity interest in Shandong Aluminum, a company listed on the SSE. On April 24, 2007, the Company issued 604,800,000 A shares in exchange for the remaining 28.57% shares owned by the other shareholders of Shandong Aluminum. Upon the effective date of this acquisition, Shandong Aluminum became a wholly-owned subsidiary of the Company and this subsidiary was delisted on April 30, 2007.

The fair value of purchase consideration was determined by reference to the proportionate interest in fair value of Shandong Aluminum. The difference between the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary amounted to approxiamtely RMB3,058 million is deducted from equity.

Acquisition of minority interest in Lanzhou Aluminum Hewan Power Generation Company Limited ("Hewan Power")

Hewan Power was 51% owned by Lanzhou Aluminum at the time of the Group's acquisition of Lanzhou Aluminum. On November 23, 2007, the Company acquired the remaining 49% equity interest in Hewan Power. Upon the effective date of this acquisition, Hewan Power became a wholly-owned subsidiary of the Company.

The cash paid for the acquisition was RMB497 million. The difference between the consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired amounted to approximately RMB97 million is deducted from equity.

7. Intangible assets

	Group			
	Goodwill	Mining rights	Computer software and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2006				
Cost	406,686	433,051	—	839,737
Accumulated amortization	—	(118,258)	—	(118,258)
Net book amount	406,686	314,793	—	721,479
Year ended December 31, 2006				
Opening net book amount	406,686	314,793	—	721,479
Additions	—	22,704	6,680	29,384
Reclassification	—	(10,514)	—	(10,514)
Amortization	—	(23,759)	(445)	(24,204)
Closing net book amount	406,686	303,224	6,235	716,145
As of December 31, 2006				
Cost	406,686	444,423	6,680	857,789
Accumulated amortization	—	(141,199)	(445)	(141,644)
Net book amount	406,686	303,224	6,235	716,145
Year ended December 31, 2007				
Opening net book amount	406,686	303,224	6,235	716,145
Acquisition of a subsidiary *(Note 5)*	1,924,259	—	—	1,924,259
Additions	—	29,547	42,534	72,081
Amortization	—	(24,700)	(5,421)	(30,121)
Closing net book amount	2,330,945	308,071	43,348	2,682,364
As of December 31, 2007				
Cost	2,330,945	405,510	46,938	2,783,393
Accumulated amortization	—	(97,439)	(3,590)	(101,029)
Net book amount	2,330,945	308,071	43,348	2,682,364

7. Intangible assets *(Continued)*

	Company			
	Goodwill	Mining rights	Computer software and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2006				
Cost	406,686	433,051	—	839,737
Accumulated amortization	—	(118,258)	—	(118,258)
Net book amount	406,686	314,793	—	721,479
Year ended December 31, 2006				
Opening net book amount	406,686	314,793	—	721,479
Additions	—	22,704	6,680	29,384
Reclassification	—	(10,514)	—	(10,514)
Amortization	—	(23,759)	(445)	(24,204)
Closing net book amount	406,686	303,224	6,235	716,145
As of December 31, 2006				
Cost	406,686	444,423	6,680	857,789
Accumulated amortization	—	(141,199)	(445)	(141,644)
Net book amount	406,686	303,224	6,235	716,145
Year ended December 31, 2007				
Opening net book amount	406,686	303,224	6,235	716,145
Transfer from a subsidiary to a branch	1,924,259	—	—	1,924,259
Additions	—	29,547	35,578	65,125
Amortization	—	(24,700)	(4,105)	(28,805)
Closing net book amount	2,330,945	308,071	37,708	2,676,724
As of December 31, 2007				
Cost	2,330,945	405,510	41,101	2,777,556
Accumulated amortization	—	(97,439)	(3,393)	(100,832)
Net book amount	2,330,945	308,071	37,708	2,676,724

7. Intangible assets *(Continued)*

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to geographical business segments. A segment level summary of the goodwill allocation is presented below:

	Group and the Company	
Business segment	**2007** *RMB'000*	2006 *RMB'000*
Alumina	**189,419**	189,419
Primary aluminum	**2,141,526**	217,267
	2,330,945	406,686

	Group and the Company	
Entity	**2007** *RMB'000*	2006 *RMB'000*
Guangxi Branch	**189,419**	189,419
Qinghai Branch	**217,267**	217,267
Lanzhou Branch *(Note 5)*	**1,924,259**	—
	2,330,945	406,686

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate.

7. Intangible assets *(Continued)*

Impairment tests for goodwill *(Continued)*

Pre-tax discount rates and growth rates used for value-in-use calculations:

	Discount rate	Growth rate
Guangxi Branch	13%	2%
Qinghai Branch	13%	2%
Lanzhou Branch	13%	2%

Key assumptions used for value-in-use calculations:

Key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses. Management determined these key assumptions based on past performance and its expectations on market development. The discount rates used are pre-tax and reflect specific risks relating to individual CGUs. Management believes that any reasonably possible change in any of these key assumptions on which recoverable amounts of individual CGUs are based may or may not cause the carrying amounts of individual CGUs to exceed their recoverable amounts.

Based on the assessments, no goodwill was impaired.

8. Property, plant and equipment

	Group					
	Buildings	Plant and machinery	Motor vehicles and transportation facilities	Office and other equipment	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2006						
Cost, as previously reported	16,511,850	35,765,040	1,357,423	279,679	6,467,021	60,381,013
Acquisition of Baotou Aluminum	1,062,452	1,901,732	46,888	76,379	58,854	3,146,305
Cost, as restated	17,574,302	37,666,772	1,404,311	356,058	6,525,875	63,527,318
Accumulated depreciation and impairment, as previously reported	(5,161,220)	(14,595,571)	(772,854)	(145,336)	(16,876)	(20,691,857)
Acquisition of Baotou Aluminum	(239,293)	(482,185)	(18,090)	(15,476)	—	(755,044)
Accumulated depreciation and impairment, as restated	(5,400,513)	(15,077,756)	(790,944)	(160,812)	(16,876)	(21,446,901)
Net book amount	12,173,789	22,589,016	613,367	195,246	6,508,999	42,080,417
Year ended December 31, 2006						
Opening net book amount	12,173,789	22,589,016	613,367	195,246	6,508,999	42,080,417
Acquisition of subsidiaries *(Note 5)*	1,241,998	2,714,206	26,632	17,984	113	4,000,933
Additions	45,469	120,518	46,690	36,503	8,553,047	8,802,227
Transfers/Reclassification	1,624,055	8,343,222	545,003	109,439	(10,621,719)	—
Depreciation	(670,506)	(2,836,032)	(126,743)	(47,629)	—	(3,680,910)
Impairment loss *(Note 27)*	(2,281)	(14,395)	—	(248)	—	(16,924)
Disposals	(29,258)	(119,194)	(12,926)	(889)	—	(162,267)
Closing net book amount	14,383,266	30,797,341	1,092,023	310,406	4,440,440	51,023,476

8. Property, plant and equipment *(Continued)*

	Group					
	Buildings	Plant and machinery	Motor vehicles and transportation facilities	Office and other equipment	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of December 31, 2006						
Cost, as previously reported	19,085,794	47,903,394	2,061,490	401,977	4,428,921	73,881,576
Acquisition of Baotou Aluminum	1,130,736	2,114,170	60,023	77,931	28,395	3,411,255
Cost, as restated	20,216,530	50,017,564	2,121,513	479,908	4,457,316	77,292,831
Accumulated depreciation and impairment, as previously reported	(5,551,848)	(18,606,079)	(1,008,175)	(145,509)	(16,876)	(25,328,487)
Acquisition of Baotou Aluminum	(281,416)	(614,144)	(21,315)	(23,993)	—	(940,868)
Accumulated depreciation and impairment, as restated	(5,833,264)	(19,220,223)	(1,029,490)	(169,502)	(16,876)	(26,269,355)
Net book amount	14,383,266	30,797,341	1,092,023	310,406	4,440,440	51,023,476
Year ended December 31, 2007						
Opening net book amount	14,383,266	30,797,341	1,092,023	310,406	4,440,440	51,023,476
Acquisition of a subsidiary *(Note 5)*	718,659	1,130,745	115,170	49	3,775,334	5,739,957
Additions	27,344	83,934	74,856	11,197	10,091,094	10,288,425
Transfers/Reclassification	2,264,496	3,611,585	625,346	117,552	(6,618,979)	—
Depreciation	(755,624)	(3,447,136)	(187,660)	(76,026)	—	(4,466,446)
Impairment loss *(Note 27)*	(63)	(9,740)	(32)	(46)	(3,368)	(13,249)
Disposals	(106,105)	(183,051)	(4,117)	(658)	—	(293,931)
Closing net book amount	16,531,973	31,983,678	1,715,586	362,474	11,684,521	62,278,232
As December 31, 2007						
Cost	23,227,463	54,553,388	2,992,450	612,950	11,704,765	93,091,016
Accumulated depreciation and impairment	(6,695,490)	(22,569,710)	(1,276,864)	(250,476)	(20,244)	(30,812,784)
Net book amount	16,531,973	31,983,678	1,715,586	362,474	11,684,521	62,278,232

8. Property, plant and equipment *(Continued)*

	Company					
	Buildings	Plant and machinery	Motor vehicles and transportation facilities	Office and other equipment	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2006						
Cost	14,314,626	29,833,617	1,304,227	259,421	5,525,168	51,237,059
Accumulated depreciation and impairment	(4,868,810)	(13,490,689)	(758,204)	(137,340)	(16,876)	(19,271,919)
Net book amount	9,445,816	16,342,928	546,023	122,081	5,508,292	31,965,140
Year ended December 31, 2006						
Opening net book amount	9,445,816	16,342,928	546,023	122,081	5,508,292	31,965,140
Additions	18,661	55,506	21,387	25,657	4,931,116	5,052,327
Transfers/Reclassification	515,652	5,594,180	509,555	105,483	(6,724,870)	—
Depreciation	(471,758)	(2,038,758)	(113,620)	(35,966)	—	(2,660,102)
Impairment loss	(2,281)	(14,279)	—	(248)	—	(16,808)
Disposals	(7,363)	(62,701)	(11,070)	(385)	—	(81,519)
Closing net book amount	9,498,727	19,876,876	952,275	216,622	3,714,538	34,259,038
As of December 31, 2006						
Cost	14,200,886	35,688,431	1,913,039	347,176	3,731,414	55,880,946
Accumulated depreciation and impairment	(4,702,159)	(15,811,555)	(960,764)	(130,554)	(16,876)	(21,621,908)
Net book amount	9,498,727	19,876,876	952,275	216,622	3,714,538	34,259,038

8. Property, plant and equipment *(Continued)*

	Company					
	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles and transportation facilities RMB'000	Office and other equipment RMB'000	Construction-in-progress RMB'000	Total RMB'000
Year ended December 31, 2007						
Opening net book amount	9,498,727	19,876,876	952,275	216,622	3,714,538	34,259,038
Additions	4,536	74,803	50,151	8,848	7,353,083	7,491,421
Transfers/Reclassification	1,612,055	2,630,368	536,523	110,801	(4,889,747)	—
Transfers from subsidiaries to branches *(Notes 10 and 11(b))*	1,966,171	3,807,056	186,488	2,386	1,334,641	7,296,742
Depreciation	(523,120)	(2,418,857)	(163,175)	(55,843)	—	(3,160,995)
Impairment loss	—	—	—	—	(3,368)	(3,368)
Disposals	(59,536)	(141,901)	(1,424)	(348)	—	(203,209)
Closing net book amount	12,498,833	23,828,345	1,560,838	282,466	7,509,147	45,679,629
As of December 31, 2007						
Cost	18,363,831	43,530,611	2,763,587	479,763	7,529,391	72,667,183
Accumulated depreciation and impairment	(5,864,998)	(19,702,266)	(1,202,749)	(197,297)	(20,244)	(26,987,554)
Net book amount	12,498,833	23,828,345	1,560,838	282,466	7,509,147	45,679,629

Note:

Depreciation expenses of RMB314 million (2006: RMB200 million) had been capitalized in inventories, RMB3,952 million (2006: RMB3,363 million) charged to cost of goods sold, RMB4 million (2006: RMB4 million) charged to selling and distribution expenses and RMB196 million (2006: RMB114 million) charged to general and administrative expenses.

Interest expense of RMB358 million (2006: RMB194 million) arising on borrowings for the construction of property, plant and equipment during the year were capitalized and are included in 'Additions' in property, plant and equipment. A capitalization rate of approximately 5.82% (2006: 5.15%) per annum was used, representing the interest rate of the loans used to finance the projects.

During 2007, impairment loss of RMB113 million (2006: RMB35 million) was reversed following the disposals of related property, plant and equipment.

9. Land use rights

Details of land use rights are as follow:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Outside Hong Kong, held on:				
Leases less than 10 years	**42,036**	66,323	**42,036**	66,323
Leases between 10 to 50 years	**1,065,285**	691,790	**198,902**	—
Leases over 50 years	**184**	187	**184**	187
	1,107,505	758,300	**241,122**	66,510

The increase in 2007 is mainly due to acquisition of Lanzhou Aluminum and additions in a subsidiary which is under construction.

10. Investments in subsidiaries

	Company	
	2007	2006
	RMB'000	*RMB'000*
Investments, at cost:		
Listed securities in the PRC *(Note)*	—	965,196
Unlisted securities	**7,099,198**	3,260,039
	7,099,198	4,225,235
Market value of listed securities *(Note)*	**N/A**	10,843,200

Note:

In 2006, the listed securities in the PRC represented shares in Shandong Aluminum. On April 24, 2007, the Company acquired the remaining 28.57% of the share capital of Shandong Aluminum. Upon the effective of this acquisition, Shandong Aluminum became a wholly-owned subsidiary of the Company and this subsidiary was delisted on April 30, 2007 (Note 6). As of September 30, 2007, the Company transformed this subsidiary to a branch.

(Amounts expressed in RMB unless otherwise stated)

10. Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries:

Name	Place of incorporation and operation	Legal status	Registered and fully paid capital	Equity interest held 2007	Equity interest held 2006	Principal activities
Shanxi Longmen Aluminum Co., Ltd. (山西龍門鋁業有限公司)	PRC	Company with limited liability	RMB35,978,000	55%	55%	Manufacture and distribution of primary aluminum
The Institute of Shandong Qiyun Colored Metallurgy Engineering Co., Ltd. (山東齊韻有色冶金工程設計院有限公司)	PRC	Company with limited liability	RMB9,900,000	100%	100%	Design of production process and provision of technical consulting services
Zibo Wancheng Industrial Trading Co., Ltd. (淄博萬成工貿有限公司)	PRC	Company with limited liability	RMB13,830,000	100%	100%	Provision of repairs and maintenance services for electrical plant and machinery
Zhengzhou Hicer Hitech Ceramics Co., Ltd. (鄭州海賽高科技陶瓷有限責任公司)	PRC	Company with limited liability	RMB5,000,000	80%	80%	Manufacture and distribution of ceramic products
China Aluminum International Trading Corp., Ltd. (中鋁國際貿易有限公司)	PRC	Company with limited liability	RMB200,000,000	90.5%	90.5%	Import and export activities
Shandong Aluminum Electronic Technology Co., Ltd. (山東山鋁電子技術有限公司)	PRC	Company with limited liability	RMB20,000,000	75% *(Note (a))*	53.57%*	Manufacture and distribution of electronic products
Henan Huahui Colored Engineering & Design Co., Ltd. (河南華慧有色工程設計有限公司)	PRC	*(Note (b))*	RMB5,000,000	100%	100%	Design provision of technical consulting services
Shanxi Huaze Aluminum and Electicity Co., Ltd. (山西華澤鋁電有限公司)	PRC	Company with limited liability	RMB1,500,000,000	60%	60%	Manufacture and trading of primary aluminum products and the generation of electricity
Chalco Hong Kong Ltd. (中國鋁業香港有限公司)	Hong Kong	Company with limited liability	HKD7,000,000	100%	100%	Overseas investment and alumina import and export activities
Chalco Foshan Trading Co., Ltd. (中鋁佛山貿易有限公司)	PRC	Company with limited liability	RMB10,000,000	89.60%*	89.60%*	Trading of alumina and primary aluminum products
Chalco Chongqing Trading Co., Ltd. (中鋁重慶銷售有限公司)	PRC	Company with limited liability	RMB3,000,000	90.05%*	90.05%*	Trading of alumina and primary aluminum products
China Aluminum International Shipping and Forwarding (Beijing) Corp., Ltd. (中鋁國貿(北京)貨運有限公司)	PRC	Company with limited liability	RMB6,000,000	88.69%*	88.69%*	Provision of transportation services

(Amounts expressed in RMB unless otherwise stated)

10. Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries *(Continued)*:

Name	Place of incorporation and operation	Legal status	Registered and fully paid capital	Equity interest held 2007	Equity interest held 2006	Principal activities
Chalco Kailin Aluminum of Shanghai Co., Ltd. (上海中鋁凱林鋁業有限公司)	PRC	Company with limited liability	RMB3,000,000	89.60%*	89.60%*	Trading of colored metallurgy materials and beauxite
Chalco Western Qinghai Int'l Trading Co., Ltd. (中鋁青海西部國際貿易有限公司)	PRC	Company with limited liability	RMB15,000,000	81.45%*	81.45%*	Import and export activities
China Aluminum Qinghai International Trading Corp., Ltd. (中鋁青海國際貿易有限公司)	PRC	Company with limited liability	RMB6,000,000	N/A *(Note (c))*	81.45%*	Import and export activities
Shanxi Huatai Carbon Co., Ltd. (山西華泰炭素有限責任公司)	PRC	Company with limited liability	RMB42,000,000	98.34%**	98.34%**	Production and distribution of carbon related products
Chalco Shandong International Trading Co. Ltd. (中鋁山東國際貿易有限公司)	PRC	Company with limited liability	RMB10,000,000	81.90%*	81.90%*	Import and export activities
Chalco Henan International Trading Co. Ltd. (中鋁河南國際貿易有限公司)	PRC	Company with limited liability	RMB3,000,000	81.90%*	81.90%*	Import and export activities
Fushun Aluminum	PRC	Company with limited liability	RMB500,000,000	100%	100%	Production and trading of primary aluminum products
Zunyi Aluminum	PRC	Company with limited liability	RMB260,000,000	61.29%	61.29%	Production and trading of primary aluminum products
Huayu Aluminum	PRC	Company with limited liability	RMB899,500,000	55%	55%	Production and trading of primary aluminum products
Hualu Aluminum	PRC	Company with limited liability	RMB529,236,439	51%	51%	Production and trading of primary aluminum products
Shanxi Huasheng Aluminum Co., Ltd. (山西華聖鋁業有限責任公司)	PRC	Company with limited liability	RMB1,000,000,000	51%	51%	Production of primary aluminum, aluminum alloy, carbon-related products and power generation
Chalco Zunyi Alumina Co., Ltd. (中國鋁業遵義氧化鋁有限公司)	PRC	Company with limited liability	RMB1,400,000,000 *(Note (d))*	67%	67%	Production and trading of alumina products
Shenyang China Aluminum Trading Co., Ltd. (瀋陽中鋁貿易有限公司)	PRC	Company with limited liability	RMB10,000,000	90.5%* *(Note (g))*	N/A	Sales of nonferrous metals and other products
Lanzhou Aluminum Construction & Installation Co., Ltd. (蘭州鋁業建築安裝有限公司)	PRC	Company with limited liability	RMB1,500,000	93.33% *(Note (h))*	N/A	Provision of construction services

(Amounts expressed in RMB unless otherwise stated)

10. Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries *(Continued)*:

Name	Place of incorporation and operation	Legal status	Registered and fully paid capital	Equity interest held 2007	Equity interest held 2006	Principal activities
Lanzhou Aluminum Hewan Power Generation Co., Ltd. (蘭州鋁業河灣發電有限公司)	PRC	Company with limited liability	RMB816,330,000	100% *(Note (h))*	N/A	Under construction
Baotou Aluminum Co., Ltd. (包頭鋁業股份有限公司)	PRC	Company with limited liability	RMB431,000,000	100%	44.698% *(Note (e))*	Production and trading of primary aluminum, alloy and carbon products
Wuxi Xinbao Aluminum Co., Ltd. (無錫新包鋁業有限公司)	PRC	Company with limited liability	RMB2,000,000	90%	40.23% *(Note (e))*	Sales of metal material and carbon products
China Aluminum Mining Co., Ltd. (中鋁礦業有限公司)	PRC	Company with limited liability	RMB300,000,000	100% *(Note (g))*	N/A	Production and trading of beauxite
China Aluminum Taiyue Mining Co., Ltd. (中鋁太嶽礦業有限公司)	PRC	Company with limited liability	RMB60,000,000 *(Note (f))*	51% *(Note (g))*	N/A	Production and trading of beauxite
China Aluminum Nanhai Alloy Co., Ltd. (中鋁南海合金有限公司)	PRC	Company with limited liability	RMB100,000,000	100% *(Note (g))*	N/A	Production and trading of alloy
Chalco Singapore Pte Ltd. (中國鋁業新加坡有限公司)	The Republic of Singapore	Company with limited liability	Singapore Dollar1	100%* *(Note (g))*	N/A	Investment holding
Chalco Australia Holdings Pty Ltd. (中國鋁業澳大利亞控股有限公司)	The Commonwealth of Australia ("Australia")	Company with limited liability	AUD1	100%* *(Note (g))*	N/A	Investment holding
Chalco Australia Pty Ltd. (中國鋁業澳大利亞有限公司)	Australia	Company with limited liability	AUD2	100%* *(Note (g))*	N/A	Production and trading of alumina products
Aurukun Alumina Refinery Pty Ltd. (奧魯昆氧化鋁有限公司)	Australia	Company with limited liability	AUD1	100%* *(Note (g))*	N/A	Exploration of beauxite
Baiyin Ruiyuan Metal Co., Ltd. (白銀瑞圓金屬有限公司)	PRC	Company with limited liability	RMB4,800,000	48.87%*	48.87%*	Production and trading of light alloy products

* The equity interests were indirectly held by the Company.

** Part of the equity interests was directly held by the Company and part of that was indirectly held by the Company.

10. Investments in subsidiaries *(Continued)*

The following is a list of the principal subsidiaries *(Continued)*:

Notes:

(a) Upon the acquisition of Shandong Aluminum, parent company of this subsidiary, in April 2007 and became a branch as of September 2007, this subsidiary became directly owned by the Company.

(b) The legal status of the subsidiary had been changed from "state-owned enterprise" to limited company in 2007. The Chinese name of the subsidiary was also changed to Henan Huahui Colored Engineering & Design Co., Ltd. (河南華慧有色工程設計有限公司) from Research & Design Institute of China Great Wall Aluminum Corporation (中國長城鋁業公司設計院). Its registered and fully paid capital was increased from RMB2,000,000 to RMB5,000,000 through the injection of net assets by the Company.

(c) During 2007, China Aluminum Qinghai International Trading Corp., Ltd. was deregistered and was liquidated.

(d) The paid-in-capital of the subsidiary is RMB480 million as of December 31, 2007 (2006: RMB280 million).

(e) Such controlling percentages represented the effective ownership by Chinalco applied to the consolidated financial statements of the Group under the principle of merger accounting.

(f) The paid-in-capital of the subsidiary is RMB20.60 million as of December 31, 2007.

(g) These entities are established in 2007.

(h) The additions of these entities is due to the acquisition of Lanzhou Aluminum (Note 11(b)(i)).

The English names of the above subsidiaries represent the best effort by the management of the Group in translating their Chinese names as they do not have any official English names.

11. Interests/Investments in jointly controlled entities/associates

(a) Interests/Investments in jointly controlled entities

Movements in interests/investments in jointly controlled entities are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beginning of the year	**575,794**	184,399	**590,633**	187,819
Additions	**63,883**	402,814	**63,883**	402,814
Share of losses	**(3,381)**	(11,419)	**—**	—
End of the year	**636,296**	575,794	**654,516**	590,633

Jointly controlled entities of the Group, all of which are unlisted, are as follows:

Name	Place of incorporation and operation	Legal status	Registered and fully paid capital	Equity interest held 2007	Equity interest held 2006	Principal activities
Shanxi Jinxin Aluminum Co., Ltd. (山西晉信鋁業有限公司)	PRC	Company with limited liability	RMB20,000,000	**50%**	50%	Production and distribution of primary aluminum
Guangxi Huayin Aluminum Co. Ltd. (廣西華銀鋁業有限公司)	PRC	Company with limited liability	RMB1,735,650,000	**33%**	33%	Production and distribution of alumina

All the equity interests were directly held by the Company.

The English names of jointly controlled entities represent the best effort by the management of the Group in translating their Chinese names as they do not have any official English names.

11. Interests/Investments in jointly controlled entities/associates *(Continued)*

(a) Interests/Investments in jointly controlled entities *(Continued)*

The Group's share of interests in its jointly controlled entities is as follows:

	2007 RMB'000	2006 RMB'000
Assets:		
Non-current assets	1,796,704	607,188
Current assets	604,335	615,473
	2,401,039	1,222,661
Liabilities:		
Non-current liabilities	17,618	639,506
Current liabilities	1,747,125	7,361
	1,764,743	646,867
Net assets	636,296	575,794
Income	23,922	14,644
Expenses	(27,303)	(26,063)
Loss after income tax	3,381	11,419
Proportionate interests in jointly controlled entities' capital commitments	907,802	1,612,295

There are no material contingent liabilities relating to the Group's interests in the jointly controlled entities and the jointly controlled entities themselves.

11. Interests/Investments in jointly controlled entities/associates *(Continued)*

(b) Interests/Investments in associates

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted securities	**75,600**	75,600	**75,600**	75,600
Listed securities in the PRC *(Notes (i) and (ii))*	**247,454**	1,015,892	**247,454**	1,015,892
Share of post acquisition/ establishment of net assets	**230,866**	182,215	**—**	—
	553,920	1,273,707	**323,054**	1,091,492
Market value of listed securities	**6,242,625**	3,130,111	**6,242,625**	3,130,111

11. Interests/Investments in jointly controlled entities/associates *(Continued)*

(b) Interests/Investments in associates *(Continued)*

Movements in interests/investments in associates are as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Beginning of the year	**1,273,707**	886,820	**1,091,492**	844,038
Additions *(Note (ii))*	**—**	305,382	**—**	247,454
Transfer from an associate to a subsidiary *(Note (i))*	**(933,755)**	—	**(768,438)**	—
Share of profits	**241,945**	105,177	**—**	—
Share of equity	**168**	—	**—**	—
Dividends	**(27,850)**	(23,672)	**—**	—
Disposal of an associate	**(295)**	—	**—**	—
End of the year	**553,920**	1,273,707	**323,054**	1,091,492

Notes:

(i) On April 24, 2007, the Company acquired 72% of the share capital of Lanzhou Aluminum. Upon the effective date of this acquisition, Lanzhou Aluminum became a wholly-owned subsidiary of the Company and this subsidiary was delisted on April 30, 2007 (Note 5). As of July 1, 2007, Lanzhou Aluminum was restructured into Lanzhou Branch, Xibeilv Branch, Hewan Power and Lanzhou Aluminum Construction & Installation Co., Ltd.. The latter two entities represent subsidiaries of the Company.

(ii) Listed securities represent investments in Jiaozuo Wanfang Aluminum Manufacturing Company Ltd.（焦作萬方鋁業股份有限公司）("Jiaozuo Wanfang"), a company with its A shares listed on the SSE in the PRC.

11. Interests/Investments in jointly controlled entities/associates *(Continued)*

(b) Interests/Investments in associates *(Continued)*

Associates of the Group are as follows:

Name	Place of incorporation and operation	Legal status	Registered and fully paid capital	Equity interest held 2007	Equity interest held 2006	Principal activities
Jiaozuo Coal Group Xinxiang (Zhaogu) Energy Corporation Co., Ltd. (焦作煤業集團新鄉(趙固)能源有限責任公司)	PRC	Company with limited liability	RMB252,000,000	30%	30%	Coal production
Jiaozuo Wanfang	PRC	Company with limited liability	RMB480,176,083	29%	29%	Trading and production of primary aluminum products
Lanzhou Aluminum	PRC	Company with limited liability	RMB542,326,578	N/A (Note (i))	28%	Trading and production of primary aluminum and aluminum-fabricated products
Baolv Group Jinshi Silicon Company Limited (包鋁集團金石矽業有限責任公司)	PRC	Company with limited liability	RMB5,000,000	N/A	21%*	Refinary and production of silicon

* The equity interest was indirectly held by the Group. This associate was disposed by the Group in 2007.

The Group's shares of interests in its associates are as follows:

	2007 RMB'000	2006 RMB'000
Assets	1,282,265	2,997,120
Liabilities	728,345	1,723,413
Revenue	1,815,736	1,263,058
Profit	241,945	105,177

The English names of certain associates represent the best effort by the management of the Group in translating their Chinese names as they do not have any official English names.

12. Available-for-sale financial assets

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Beginning of the year	18,182	10,200	—	—
Acquisitions of subsidiaries	5,000	7,982	—	—
Additions	2,500	—	2,000	—
Transfer from a subsidiary to a branch	—	—	5,000	—
Disposals	(56)	—	—	—
Revaluation gains	14,487	—	—	—
End of the year	40,113	18,182	7,000	—

Available-for-sale financial assets are investments in shares of a fellow subsidiary and other equity investments denominated in RMB. The revaluation surplus represents the investment in China Pacific Insurance (Group) Co., Ltd., a company listed on the SSE in the current year. The related investment is stated at quoted market price as of December 31, 2007.

All the other available-for-sale financial assets (2006: all available-for-sale financial assets) are unquoted equity securities in which no quoted market prices are available in the PRC. They are stated at cost as a reasonable estimate of their fair value could not be made without incurring excessive costs and they are not material to the Group's consolidated financial statements.

13. Inventories

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Raw materials	4,945,446	3,561,999	4,475,127	2,557,936
Work in progress	3,675,569	3,001,905	2,761,466	1,993,482
Finished goods	4,217,657	2,824,416	1,886,248	1,093,844
Production supplies	705,178	627,971	593,592	532,587
	13,543,850	10,016,291	9,716,433	6,177,849
Less: provision for inventory obsolescence	(69,710)	(70,488)	(61,524)	(66,385)
	13,474,140	9,945,803	9,654,909	6,111,464

14. Accounts receivable, net

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Trade receivables	**744,533**	747,491	**704,129**	329,619
Less: provision for impairment	**(265,488)**	(282,817)	**(263,690)**	(231,328)
	479,045	464,674	**440,439**	98,291
Trade receivables from related parties	**249,172**	238,988	**837,595**	879,353
Less: provision for impairment	**(156,425)**	(156,121)	**(156,425)**	(156,121)
	92,747	82,867	**681,170**	723,232
	571,792	547,541	**1,121,609**	821,523
Notes receivable	**2,403,876**	1,734,707	**1,539,935**	847,714
	2,975,668	2,282,248	**2,661,544**	1,669,237

14. Accounts receivable, net *(Continued)*

Certain of the Group's sales were on advanced payments or documents against payment. In respect of sales to large or long-established customers, subject to negotiation, a credit period for up to one year may be granted. The terms of some of the entities within Chinaclo were receivables on demand. As of December 31, 2007, the ageing analysis of trade receivables and notes receivable, is as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Within 1 year	**2,923,445**	2,257,643	**2,527,641**	1,644,664
Between 1 and 2 years	**27,750**	10,629	**35,379**	8,618
Between 2 and 3 years	**7,972**	15,937	**9,755**	15,101
Over 3 years	**438,414**	436,977	**508,884**	388,303
	3,397,581	2,721,186	**3,081,659**	2,056,686

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the counterparty's default history. There is no history of default of these customers.

14. Accounts receivable, net *(Continued)*

Accounts receivable that are generally less than one year past due are not considered impaired. As of December 31, 2007, accounts receivable of RMB42 million (2006: RMB49 million) of the Group and RMB39 million (2006: RMB30 million) of the Company were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these accounts receivable is as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Within 1 year	**29,450**	33,024	**28,771**	19,379
Between 1 and 2 years	**3,150**	8,879	**3,102**	6,871
Between 2 and 3 years	**3,879**	3,969	**3,704**	3,616
Over 3 years	**5,977**	3,109	**3,546**	520
	42,456	48,981	**39,123**	30,386

As of December 31, 2007, accounts receivable of RMB422 million (2006: RMB439 million) of the Group and RMB420 million (2006: RMB391 million) of the Company were substantially impaired and provided for. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a small portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Between 2 and 3 years	**1,597**	5,880	**1,584**	5,466
Over 3 years	**420,820**	433,462	**418,857**	385,063
	422,417	439,342	**420,441**	390,529

14. Accounts receivable, net (Continued)

Movements on the provision for impairment of accounts receivable are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
As of January 1	**438,938**	457,789	**387,449**	402,295
Provision for impairment	**9,454**	5,357	**3,310**	1,517
Transfers from a subsidiary to a branch	**—**	—	**42,122**	—
Receivables written off during the year as uncollectible	**(12,269)**	(15,963)	**(9,564)**	(8,702)
Unused amounts reversed	**(14,210)**	(2,147)	**(3,202)**	(1,563)
Reclassfication to other current assets	**—**	(6,098)	**—**	(6,098)
As of December 31	**421,913**	438,938	**420,115**	387,449

The creation and release of provision for impaired receivables have been included in 'general and administrative expenses' in the income statement (Note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

15. Other current assets

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Prepayments to third parties	**1,411,068**	1,290,695	**353,388**	297,020
Prepayments to related parties	**50,317**	15,241	**83,090**	32,735
Total prepayments	**1,461,385**	1,305,936	**436,478**	329,755
Advances and deposits	**209,381**	162,959	**82,042**	43,480
Value-added tax recoverables	**173,711**	107,454	**32,079**	41,761
Interest receivables	**—**	28,267	**—**	28,153
Dividends receivable	**—**	23,673	**4,656**	28,040
Receivables from sales of materials	**82,578**	72,692	**82,578**	68,256
Receivables from sales of water and electricity	**30,802**	16,331	**22,749**	3,685
Receivables from sales of spare parts	**22,503**	40,357	**22,503**	40,357
Deposit for investment	**5,054**	13,826	**5,054**	13,826
Others	**84,193**	135,281	**50,030**	127,205
Receivables from related parties *(Note)*	**122,143**	260,756	**1,406,646**	1,061,145
	730,365	861,596	**1,708,337**	1,455,908
Less: provision for impairment	**(241,924)**	(255,766)	**(240,996)**	(253,647)
Total other receivables	**488,441**	605,830	**1,467,341**	1,202,261
Total other current assets	**1,949,826**	1,911,766	**1,903,819**	1,532,016

Note:

Included in Company level balances were certain entrusted loans to subsidiaries amounting to RMB270 million (2006: Nil) maturing within one year. The annual interest rates as of December 31, 2007 ranged from 5.51% to 6.56% (2006: Nil).

15. Other current assets *(Continued)*

As of December 31, 2007, the ageing analysis of other receivables is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**399,893**	396,600	**1,386,436**	1,036,249
Between 1 and 2 years	**18,439**	28,550	**29,629**	19,896
Between 2 and 3 years	**13,937**	18,241	**14,419**	10,619
Over 3 years	**298,096**	418,205	**277,853**	389,144
	730,365	861,596	**1,708,337**	1,455,908

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to the counterparty's default history. There is no history of default with these receivables.

Other receivables that are generally less than one year past due are not considered impaired. As of December 31, 2007, other receivables of RMB78 million (2006: RMB220 million) of the Group and RMB74 million (2006: RMB198 million) of the Company were past due but not impaired. These were contracts bounded by repayment terms on demand. The ageing analysis of these other receivables is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**22,772**	39,878	**22,767**	39,506
Between 1 and 2 years	**15,321**	25,300	**15,321**	17,284
Between 2 and 3 years	**5,960**	5,441	**5,960**	3,121
Over 3 years	**33,552**	149,397	**30,293**	138,374
	77,605	220,016	**74,341**	198,285

15. Other current assets *(Continued)*

As of December 31, 2007, other receivables of RMB242 million (2006: RMB256 million) of the Group and RMB241 million (2006: RMB254 million) of the Company were impaired and provided for. The individually impaired receivables mainly relate to sales of materials and others, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of these receivables is as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Between 2 and 3 years	**3,724**	3,701	**3,146**	3,191
Over 3 years	**238,376**	252,281	**238,026**	250,770
	242,100	255,982	**241,172**	253,961

Movements on the provision for impairment of other receivables are as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
As of January 1	**255,766**	249,530	**253,647**	248,253
Provision for receivables impairment	**1,744**	9,642	**1,722**	7,061
Transfers from a subsidiary to a branch	**—**	—	**728**	—
Receivables written off during the year as uncollectible	**(12,926)**	(2,098)	**(12,926)**	(1,243)
Unused amounts reversed	**(2,660)**	(7,406)	**(2,175)**	(6,522)
Reclassification from accounts receivable	**—**	6,098	**—**	6,098
As of December 31	**241,924**	255,766	**240,996**	253,647

The creation and release of the provision for the impaired receivables have been included in 'general and administrative expenses' in the income statement (Note 27). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

16. Bank balances and cash

The breakdown of the bank balances and cash is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and cash equivalents *(Note (a))*	**7,706,842**	9,983,061	**5,121,705**	6,982,831
Short-term cash investment *(Note (b))*	**96,054**	3,000,000	**—**	3,000,000
Restricted cash *(Note (c))*	**11**	—	**—**	—
Total	**7,802,907**	12,983,061	**5,121,705**	9,982,831

(a) Cash and cash equivalents

Cash and cash equivalents of the Group and the Company were denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB denominated	**7,493,693**	9,518,881	**5,118,042**	6,785,366
USD denominated	**41,074**	251,940	**—**	656
HKD denominated	**128,283**	9,461	**—**	—
Euro Dollar denominated	**32,406**	3,983	**—**	—
AUD denominated	**11,386**	196,809	**3,663**	196,809
Swiss Francs denominated	**—**	1,987	**—**	—
	7,706,842	9,983,061	**5,121,705**	6,982,831

16. Bank balances and cash *(Continued)*

(b) Short-term cash investment

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB denominated	—	3,000,000	—	3,000,000
AUD denominated	**96,054**	—	—	—
	96,054	3,000,000	—	3,000,000

The effective interest rate on time deposit is 7.01% (2006: ranged from 2.25% to 2.52%) per annum. This time deposit has a maturity of 365 days (2006: 183 days to 365 days).

(c) Restricted cash

A subsidiary of the Group has restricted cash amounting to RMB11,000 (2006: Nil).

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB denominated	**11**	—	—	—

(d) Non-cash transactions

During 2007, the principal non-cash transactions are the issuances of shares as consideration for the acquisitions disclosed in Notes 5 and 6. There was no material non-cash transaction for the year ended December 31, 2006.

17. Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The offset amounts are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets:				
— Deferred tax asset to be recovered after more than 12 months	**252,860**	64,680	**167,401**	29,641
— Deferred tax asset to be recovered within 12 months	**147,793**	388,592	**106,469**	277,465
	400,653	453,272	**273,870**	307,106
Deferred tax liabilities:				
— Deferred tax liabilities to be settled after more than 12 months	**160,183**	147,144	**138,164**	147,144
— Deferred tax liabilities to be settled within 12 months	**12,277**	49,926	**8,980**	45,816
	172,460	197,070	**147,144**	192,960
	228,193	256,202	**126,726**	114,146

17. Deferred tax *(Continued)*

The gross movement on the deferred tax account is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Beginning of the year	**256,202**	243,892	**114,146**	130,681
Acquisition of subsidiaries *(Note 5)*	**15,477**	33,174	**—**	—
Transfers from subsidiaries to branches	**—**	—	**209,926**	—
Charged to equity	**(2,173)**	—	**—**	—
Charged to the income statement *(Note)*	**(41,313)**	(20,864)	**(197,346)**	(16,535)
End of the year	**228,193**	256,202	**126,726**	114,146

Note: The change in deferred tax charges was partially due to the release of Corporate Income Tax Law of the People's Republic of China (the "new CIT Law") (Note 28).

17. Deferred tax *(Continued)*

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Movement of deferred tax assets:

	Group						
	Provision for receivable and inventories	Impairment of property, plant and equipment	Accrued wages	Unrealized profit	Domestically manufactured equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2006	55,066	43,152	242,259	10,087	—	70,319	420,883
Acquisition of subsidiaries *(Note 5)*	12,860	12,453	6,732	—	—	1,129	33,174
(Charged)/Credited to the income statement	(9,843)	(3,929)	26,651	21,614	—	(35,278)	(785)
As of December 31, 2006	58,083	51,676	275,642	31,701	—	36,170	453,272
Acquisition of a subsidiary *(Note 5)*	2,703	12,774	—	—	—	—	15,477
(Charged)/Credited to the income statement	(6,085)	(42,291)	(223,595)	(5,733)	206,651	2,957	(68,096)
As of December 31, 2007	54,701	22,159	52,047	25,968	206,651	39,127	400,653

17. Deferred tax *(Continued)*

Movement of deferred tax assets: *(Continued)*

	Company						
	Provision for receivable and inventories	Impairment of property, plant and equipment	Accrued wages	Unrealized profit	Domestically manufactured equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As of January 1, 2006	39,635	32,603	222,108	—	—	21,189	315,535
(Charged)/Credited to the income statement	(10,464)	(3,498)	10,922	—	—	(5,389)	(8,429)
As of December 31, 2006	29,171	29,105	233,030	—	—	15,800	307,106
Transfer from subsidiaries	16,416	22,329	—	15,515	159,776	—	214,036
(Charged)/Credited to the income statement	(3,298)	(31,745)	(204,171)	(5,471)	(14,340)	11,753	(247,272)
As of December 31, 2007	42,289	19,689	28,859	10,044	145,436	27,553	273,870

17. Deferred tax (Continued)

Movement of deferred tax liabilities:

	Group		
	Capitalization of borrowing costs	Others	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2006	176,991	—	176,991
Charged to the income statement	20,079	—	20,079
As of December 31, 2006	197,070	—	197,070
Charged to equity	—	2,173	2,173
(Credited)/Charged to the income statement	(49,926)	23,143	(26,783)
As of December 31, 2007	147,144	25,316	172,460

	Company		
	Capitalization of borrowing costs	Others	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2006	184,854	—	184,854
Charged to the income statement	8,106	—	8,106
As of December 31, 2006	192,960	—	192,960
Transfer from subsidiaries	4,110	—	4,110
Credited to the income statement	(49,926)	—	(49,926)
As of December 31, 2007	147,144	—	147,144

18. Accounts payable

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**3,290,725**	2,907,353	**2,576,029**	1,960,806
Trade payables to related parties	**224,190**	194,270	**216,835**	154,661
	3,514,915	3,101,623	**2,792,864**	2,115,467
Notes payable *(Note)*	**96,510**	128,010	**36,500**	—
	3,611,425	3,229,633	**2,829,364**	2,115,467

As of December 31, 2007, the ageing analysis of the trade payables and notes payable is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**3,526,458**	3,127,463	**2,756,047**	2,060,756
Between 1 and 2 years	**38,566**	49,295	**40,983**	25,137
Between 2 and 3 years	**18,105**	6,234	**13,188**	3,140
Over 3 years	**28,296**	46,641	**19,146**	26,434
	3,611,425	3,229,633	**2,829,364**	2,115,467

Note:

Notes payable are repayable within six months (2006: six months).

19. Provisions for other charges and liabilities

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Construction costs payable	**1,968,921**	1,791,717	**1,651,760**	1,237,345
Sales deposits from customers	**1,396,881**	1,616,508	**871,376**	690,877
Accrued payroll and bonus	**308,648**	1,118,159	**149,471**	903,900
Staff welfare payable	**52,306**	318,334	**40,290**	220,312
Accrued contributions to retirement schemes	**64,371**	21,866	**24,040**	16,049
Taxes other than income taxes payable *(Note)*	**240,460**	476,014	**189,386**	376,157
Consideration payable in respect of acquisition of business	**260,000**	400,000	**260,000**	400,000
Guarantees and deposits	**195,128**	171,279	**160,150**	141,161
Others	**424,880**	371,643	**293,169**	173,250
	4,911,595	6,285,520	**3,639,642**	4,159,051
Amounts due to related parties	**1,418,521**	869,749	**1,197,422**	683,849
	6,330,116	7,155,269	**4,837,064**	4,842,900

Note:

Taxes other than income taxes payable mainly comprise accruals for value-added tax, land use tax and city construction tax.

20. Issued capital and reserves

(a) Share capital

	Group and Company			
	2007		2006	
	Number of shares	Share capital *RMB'000*	Number of shares	Share capital *RMB'000*
As of January 1	**11,649,876,153**	**11,649,876**	11,049,876,153	11,049,876
Issuance of shares	**1,874,611,739**	**1,874,612**	600,000,000	600,000
As of December 31	**13,524,487,892**	**13,524,488**	11,649,876,153	11,649,876

As of December 31, 2007 and 2006, all issued shares are registered and fully paid, divided into 13,524,487,892 shares (2006: 11,649,876,153 shares) of RMB1.00 each, comprised 9,580,521,924 A shares and 3,943,965,968 H shares (2006: 7,705,910,185 domestic shares and 3,943,965,968 H shares).

On May 9, 2006, the Company entered into a placing agreement to place 600,000,000 new H shares, representing approximately 5.43% of the issued shares of the Company immediately before the placement, at a price at HKD7.25 per share (the "Placement"). Total proceeds from the Placement amounted to RMB4,502,492,000 and total issuance cost amounted to approximately RMB112,023,000.

On April 24, 2007, the Company issued 1,236,731,739 A shares, representing approximately 10.62% of the existing issued shares of the Company immediately before the issuance, to acquire 72% of the share capital of Lanzhou Aluminum and 28.57% of the share capital of Shandong Aluminum, respectively. These A shares were then listed on the SSE on April 30, 2007.

On December 28, 2007, the Company issued 637,880,000 A shares, representing approximately 4.95% of the existing issued shares of the Company immediately before the issuance, to acquire 100% of the share capital of Baotou Aluminum.

Of the newly issued A shares, 1,430,619,989 A shares are freely tradable while the remaining A shares can only be traded after lock-up periods.

20. Issued capital and reserves *(Continued)*

(b) Reserves

	Company				
	Capital reserve (Note (b)(i)) RMB'000	Statutory surplus reserve (Note (b)(ii)) RMB'000	Statutory public welfare fund (Note (b)(iii)) RMB'000	Retained earnings RMB'000	Total RMB'000
As of January 1, 2006	6,218,756	1,814,176	1,814,176	10,269,655	20,116,763
Transfers	—	2,963,839	(1,814,176)	(1,149,663)	—
Issuance of new shares	3,902,492	—	—	—	3,902,492
Share issuance expense	(112,023)	—	—	—	(112,023)
Profit for the year	—	—	—	10,493,744	10,493,744
Dividends	—	—	—	(4,554,850)	(4,554,850)
As of December 31, 2006	10,009,225	4,778,015	—	15,058,886	29,846,126

As of December 31, 2006, all retained earnings were unappropriated.

20. Issued capital and reserves (Continued)

(b) Reserves (Continued)

	Company				
	Capital reserve (Note (b)(i)) RMB'000	Statutory surplus reserve (Note (b)(ii)) RMB'000	Statutory public welfare fund (Note (b)(iii)) RMB'000	Retained earnings RMB'000	Total RMB'000
As of January 1, 2007	10,009,225	4,778,015	—	15,058,886	29,846,126
Issuance of new shares	8,752,122	—	—	—	8,752,122
Share issuance expense	(179,000)	—	—	—	(179,000)
Transfer from subsidiaries to branches	(3,058,271)	—	—	2,782,989	(275,282)
Profit for the year	—	—	—	7,899,171	7,899,171
Transfers	—	1,083,388	—	(1,083,388)	—
Dividends	—	—	—	(3,414,950)	(3,414,950)
Adjustment to surplus reserve *(Note (b)(ii))*	—	(142,319)	—	142,319	—
As of December 31, 2007	15,524,076	5,719,084	—	21,385,027	42,628,187
Retained earnings represented by:					
2007 final dividend proposed				716,798	
Unappropriated retained earnings				20,668,229	
Retained earnings as of December 31, 2007				21,385,027	

20. Issued capital and reserves *(Continued)*

(b) Reserves *(Continued)*

(i) Capital reserve

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Capital reserve represents:				
Premium on issuance of shares upon group reorganization	**2,403,804**	2,403,804	**2,403,804**	2,403,804
Premium on subsequent issuance of shares to the public	**12,324,800**	7,294,597	**12,809,448**	7,294,597
Gain on waiver of interest	**171,964**	171,964	**171,964**	171,964
Merger reserve *(Note 5)*	**—**	512,255	**—**	—
Others	**139,028**	138,860	**138,860**	138,860
	15,039,596	10,521,480	**15,524,076**	10,009,225

The capital reserve can only be used to increase share capital. The merger reserve arises from the acquisition of Baotou Aluminum before the legal issuance of shares (Note 5).

Others primarily represent contributions from Chinalco in respect of subsidies contributed by the Ministry of Finance of the PRC to Chinalco to support certain technical improvement projects of the Group. Pursuant to relevant PRC regulations, these subsidies should be treated as the equity interest of Chinalco in the Group, and therefore can only be used to increase Chinalco's shares in the Company in the event that there are new issuance of shares of the Group in the future.

20. Issued capital and reserves *(Continued)*

(b) Reserves *(Continued)*

(ii) Statutory surplus reserve

In accordance with relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of its profit after taxation prepared in accordance with PRC accounting standards to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. This reserve can be used to reduce any losses incurred and to increase share capital. Statutory surplus reserve balance should not fall below 25% of the registered capital after the placing.

The Group adopted the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of PRC on February 15, 2006 (the "new PRC GAAP") since January 1, 2007. According to the relevant requirements under the new PRC GAAP, certain adjustments were made to the retained earnings in previous years upon first-time adoption. While the new PRC GAAP no longer permits the Group's share of surplus reserves of subsidiaries to be presented on a consolidated basis, an additional adjustment on the transfer is made in the current year.

(iii) Statutory public welfare fund and discretionary surplus reserve

In accordance with relevant PRC laws and financial regulations, every year the Company is required to transfer between 5% to 10% of its profit after taxation prepared in accordance with PRC accounting standards to the statutory public welfare fund. The use of this fund is restricted to capital expenditure for employees' collective welfare facilities, the ownership in respect of which belongs to the Group. The statutory public welfare fund is not available for distribution to shareholders except under liquidation. Once any capital expenditure on staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare fund to the discretionary surplus reserve, a reserve which can be used to reduce any losses incurred or to increase share capital.

Prior to January 1, 2006, the Board of Directors determined on an annual basis the percentage of its profit after tax, as determined under the PRC accounting standards and regulations, to be appropriated to the statutory public welfare fund. Starting from January 1, 2006, the Company is prohibited from providing further appropriation out of net profit to the statutory public welfare fund pursuant to revised Company Law. The balance of the statutory public welfare fund as of January 1, 2006 was converted into the statutory surplus reserve fund.

21. Borrowings

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current:				
Long-term loans *(Note (a))*	**12,139,260**	8,806,479	**5,294,354**	3,210,936
Long-term bonds *(Note (b))*	**2,029,183**	—	**2,029,183**	—
	14,168,443	8,806,479	**7,323,537**	3,210,936
Current:				
Long-term loans *(Note (a))*	**2,194,022**	2,875,963	**1,549,938**	2,229,218
Short-term loans *(Note (c))*	**3,114,640**	3,647,040	**—**	—
Short-term bonds *(Note (d))*	**3,051,471**	4,985,111	**3,051,471**	4,985,111
	8,360,133	11,508,114	**4,601,409**	7,214,329
Total	**22,528,576**	20,314,593	**11,924,946**	10,425,265
Estimated fair value of long-term loans *(Note (a))*	**14,325,415**	11,681,944	**6,844,292**	5,438,315
Estimated fair value of long-term bonds *(Note (b))*	**1,842,550**	N/A	**1,842,550**	N/A

21. Borrowings *(Continued)*

(a) Long-term loans

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current:				
Long-term loans-unsecured	**11,781,754**	7,401,335	**5,294,354**	3,210,936
Long-term loans-secured	**357,506**	1,405,144	**—**	—
	12,139,260	8,806,479	**5,294,354**	3,210,936
Current:				
Long-term loans-unsecured	**2,045,938**	2,578,819	**1,549,938**	2,229,218
Long-term loans-secured	**148,084**	297,144	**—**	—
	2,194,022	2,875,963	**1,549,938**	2,229,218
Total	**14,333,282**	11,682,442	**6,844,292**	5,440,154

As of December 31, 2007, long-term loans of the Group and the Company amounted to RMB47 million (2006: RMB60 million) and Nil (2006: RMB9 million) were subject to annual fixed interest rate from 0.3% to 2.3% (2006: 0.3%). The remaining long-term loans are subject to floating interest rate.

As of December 31, 2007 and 2006, long-term loans of the Group amounted to RMB506 million and RMB1,702 million were secured by certain property, plant and equipment and land use rights (See Note 35).

21. Borrowings *(Continued)*

(a) Long-term loans *(Continued)*

Certain long-term loans were guaranteed as follows:

Guaranteed by	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Chinalco	300,000	502,994	300,000	502,994
Shanxi Zhangze Electric Company Ltd. *(Note (i))*	780,000	780,000	—	—
Lanzhou Aluminum Factory (蘭州鋁廠) *(Note (ii))*	1,399,292	—	1,399,292	—
Baotou Aluminum (Group) Company Limited ("Baotou Group") *(Note (iii))*	250,000	300,000	—	—
	2,729,292	1,582,994	1,699,292	502,994

Notes:

(i) Shanxi Zhangze Electric Company Ltd. is a minority shareholder of Shanxi Huaze Aluminum and Power Company Ltd., a subsidiary of the Company.

(ii) Lanzhou Aluminum Factory is one of the shareholders of the Company.

(iii) Baotou Group is one of the shareholders of the Company.

Financial guarantees

	Company 2007 RMB'000	Company 2006 RMB'000
Financial guarantees granted to subsidiaries	2,087,000	1,170,000

21. Borrowings *(Continued)*

(a) Long-term loans *(Continued)*

The maturity of long-term loans is as follows:

	Group				Company	
	Bank loans		Other loans		Bank loans	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Within 1 year	2,169,600	2,869,818	24,422	6,145	1,549,938	2,229,218
Between 1 and 2 years	2,294,800	2,152,658	13,453	6,144	1,051,969	1,361,058
Between 2 and 5 years	4,909,900	4,486,973	40,359	18,433	1,893,908	1,702,174
Wholly repayable within 5 years	9,374,300	9,509,449	78,234	30,722	4,495,815	5,292,450
Over 5 years	4,797,500	2,086,105	83,248	56,166	2,348,477	147,704
	14,171,800	11,595,554	161,482	86,888	6,844,292	5,440,154

The effective interest rates for the year ended December 31, 2007 and 2006 ranged from 0.3% to 7.11% per annum and 0.3% to 6.84% per annum, respectively.

As of December 31, 2007, the Group and the Company have no long-term loan denominated in Danish Krone (2006: 6,481,000, equivalent to approximately RMB8,994,000). The Group also has long-term loans amounting to JPY735,895,000 (equivalent to approximately RMB47,190,000) (2006: JPY774,626,000 (equivalent to approximately RMB50,887,000) denominated in JPY. Except for the above, all other long-term loans are denominated in RMB.

The estimated fair values of long-term loans (current portion included) are calculated based on discounted cash flows using applicable discount rates from the prevailing market interest rates offered to the Group for debts with substantially the same characteristics and maturity dates. The discount rates as of December 31, 2007 and 2006 were approximately 2.2% and 2.3% to 5.2%, respectively. The estimated fair value of borrowings due within 1 year approximates their carrying amounts.

21. Borrowings *(Continued)*

(b) Long-term bonds

In June 2007, the Company issued long-term bonds with a total face value of RMB2 billion at par (face value of RMB100 per unit) with ten-year terms for capital expenditure purposes. The fixed coupon and effective interest rates of these bonds are 4.50% and 4.64% per annum, respectively.

The estimated fair values of long-term bonds are calculated based on discounted cash flows using applicable discount rates from the prevailing market interest rates offered to the Group for debts with substantially the same characteristics and maturity dates. The discount rate as of December 31, 2007 was approximately 5.55%.

(c) Short-term loans

	Group		Company	
	2007 **RMB'000**	2006 *RMB'000*	**2007** **RMB'000**	2006 *RMB'000*
Short-term loans-unsecured	**3,094,640**	2,650,340	—	—
Short-term loans-secured	**20,000**	996,700	—	—
	3,114,640	3,647,040	—	—

The fixed effective interest rates of short-term loans for the year ended December 31, 2007 ranged from 5.22% to 6.72% (2006: 3.78% to 6.12%) per annum.

As of December 31, 2007, the Group has short-term loan denominated in USD amounting to USD11,595,000 (equivalent to RMB85,800,000) (2006: Nil).

21. Borrowings *(Continued)*

(c) Short-term loans *(Continued)*

Details of guaranteed short-term loans were as follow:

Guaranteed by	Group 2007 RMB'000	Group 2006 RMB'000	Company 2007 RMB'000	Company 2006 RMB'000
Baotou Group	**915,000**	885,000	—	—
Fushun Aluminum Factory	—	310,000	—	—
Baiyin Colored Metal (Group) Co., Ltd.	—	168,200	—	—

As of December 31, 2007, short-term loans amounting to RMB20 million (2006: RMB997 million) of subsidiaries were secured by property, plant and equipment, land use rights and inventories *(See Note 35)*.

(d) Short-term bonds

In May 2006, the Company issued short-term bonds with a total face value of RMB3 billion at par (face value of RMB100 per unit) with one year term for working capital purposes. The fixed coupon and effective interest rates of these bonds were 3.13% and 3.53% per annum, respectively. These bonds have matured and were fully redeemed in May 2007.

In December 2006, the Company issued short-term bonds with a total face value of RMB2 billion at a discount (face value RMB100 per unit) with one year term for working capital purposes. The fixed effective interest rate of these bonds was 3.44% per annum. These bonds have matured and were fully redeemed in December 2007.

In June 2007, the Company issued short-term bonds with a total face value of RMB3 billion at par (face value of RMB100 per unit) with one year term for working capital purposes. The fixed coupon and effective interest rates of these bonds were 3.55% and 3.95% per annum, respectively.

22. Turnover, other gains and segment information

The Group is principally engaged in the production and sales of alumina and primary aluminum in the PRC. Revenues recognized during the year are as follows:

	2007 RMB'000	2006 RMB'000
Sales		
Sales of goods, net of value-added tax	74,896,096	63,773,673
Sales of scrap and other materials	470,068	439,590
Supply of electricity, heat, gas and water	475,767	366,132
Rendering of services *(Note (a))*	198,992	138,401
Others	139,525	108,819
Total sales	76,180,448	64,826,615
Expenses related to sales of goods	(55,895,038)	(42,878,278)
Expenses related to other revenues *(Note (b))*	(1,302,471)	(1,052,421)
Total cost of goods sold	(57,197,509)	(43,930,699)
	18,982,939	20,895,916
Other gains		
Government subsidies	23,461	59,832
Realized and unrealized gain on future contracts, net	106,716	86,633
Excess of interest in the net fair value of net assets acquired over cost arising from acquisitions of		
— subsidiaries	—	177,972
— an associate	—	57,928
Others	580	(104)
	130,757	382,261
Sales and gains, net	19,113,696	21,278,177

22. Turnover, other gains and segment information *(Continued)*

Notes:

(a) Rendering of services mainly comprises revenues from provision of transportation, machinery processing and production design services.

(b) Expenses related to other revenues mainly include the cost of scrap and other materials sold, costs incurred in the supply of electricity, heat, gas and water and costs of services rendered.

Primary reporting format — business segments

The Group is primarily organized in the PRC into two main business segments:

- Alumina segment — comprising mining and processing of bauxite into alumina and the associated distribution activities.
- Primary aluminum segment — comprising production of primary aluminum and the associated distribution activities.

Activities of the headquarters and other operations of the Group, comprising research and development related to alumina business are grouped under corporate and other services segment.

Segment assets consist primarily of intangible assets, property, plant and equipment, inventories, receivables and operating cash, and exclude assets not dedicated to a particular segment. Segment liabilities consist primarily of operating liabilities and exclude liabilities not dedicated to a particular segment.

Capital expenditures comprise additions to intangible assets and property, plant and equipment, including those arising from business combinations.

22. Turnover, other gains and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

	Year ended December 31, 2007					
	Alumina RMB'000	Primary aluminum RMB'000	Corporate and other services RMB'000	Inter-segment elimination RMB'000	Unallocated RMB'000	Total RMB'000
Sales						
External sales	20,818,404	53,706,729	1,655,315	—	—	76,180,448
Inter-segment sales	14,311,492	—	—	(14,311,492)	—	—
	35,129,896	53,706,729	1,655,315	(14,311,492)	—	76,180,448
Segment results	8,165,970	7,421,662	(77,011)	433,821	(1,035,196)	14,909,246
Finance costs, net						(738,456)
Share of losses of jointly controlled entities	—	(3,381)	—	—	—	(3,381)
Share of profits of associates	—	241,945	—	—	—	241,945
Profit before income tax expense						14,409,354
Income tax expense						(2,780,430)
Profit for the year						11,628,924
Other segment items included in the income statement are as follows:						
Depreciation and amortization	2,105,124	1,924,233	96,998	—	55,625	4,181,980
Impairment loss on property, plant and equipment	—	9,880	3,369	—	—	13,249
Loss on disposal of property, plant and equipment	62,881	35,571	62,491	—	—	160,943
Provision for/(Reversal of) inventory obsolescence	3,627	14,077	(12,314)	—	—	5,390
Provision for/(Reversal of) impairment on receivables	1,279	(3,710)	(3,241)	—	—	(5,672)

22. Turnover, other gains and segment information (Continued)

Primary reporting format - business segments (Continued)

The segment assets and liabilities as of December 31, 2007 are as follows:

	Alumina RMB'000	Primary aluminum RMB'000	Corporate and other services RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Other assets	38,120,428	42,983,228	9,361,595	(2,420,536)	88,044,715
Jointly controlled entities	—	636,296	—	—	636,296
Associates	—	553,920	—	—	553,920
Unallocated assets					5,103,431
Total assets					94,338,362
Liabilities	3,976,010	5,456,938	3,707,971	(2,420,536)	10,720,383
Unallocated liabilities					22,601,210
Total liabilities					33,321,593
Capital expenditure	4,634,932	12,507,291	493,746	—	17,635,969
Unallocated capital expenditure					497,954
Total capital expenditure					18,133,923

22. Turnover, other gains and segment information (Continued)

Primary reporting format - business segments (Continued)

	Year ended December 31, 2006					
	Alumina	Primary aluminum	Corporate and other services	Inter-segment elimination	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales						
External sales	25,602,102	38,393,737	830,776	—	—	64,826,615
Inter-segment sales	12,666,691	—	—	(12,666,691)	—	—
	38,268,793	38,393,737	830,776	(12,666,691)	—	64,826,615
Segment results	13,858,508	5,001,310	(59,443)	(272,974)	(859,680)	17,667,721
Finance costs, net						(637,236)
Share of losses of jointly controlled entities	—	(11,419)	—	—	—	(11,419)
Share of profits of associates	—	105,177	—	—	—	105,177
Profit before income tax expense						17,124,243
Income tax expense						(4,410,674)
Profit for the year						12,713,569
Other segment items included in the income statement are as follows:						
Depreciation and amortization	1,997,877	1,366,969	35,050	—	105,151	3,505,047
Impairment loss on property, plant and equipment	6,385	10,539	—	—	—	16,924
Loss on disposal of property, plant and equipment	58,059	31,607	1,064	—	—	90,730
Provision for inventory obsolescence	22,417	11,397	558	—	—	34,372
Provision for impairment on receivables	2,779	1,448	1,219	—	—	5,446

22. Turnover, other gains and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

The segment assets and liabilities as of December 31, 2006 are as follows:

	Alumina	Primary aluminum	Corporate and other services	Inter-segment elimination	Group total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other assets	31,972,013	39,613,747	6,424,885	(1,028,076)	76,982,569
Jointly controlled entities	—	575,794	—	—	575,794
Associates	—	1,273,707	—	—	1,273,707
Unallocated assets					3,109,684
Total assets					81,941,754
Liabilities	3,314,504	5,495,350	1,727,711	(1,028,076)	9,509,489
Unallocated liabilities					23,165,703
Total liabilities					32,675,192
Capital expenditure	3,462,875	8,567,329	120,286	—	12,150,490
Unallocated capital expenditure					682,054
Total capital expenditure					12,832,544

22. Turnover, other gains and segment information (Continued)

Secondary reporting format — geographical segments

The Group's operations are principally carried out in the PRC and the related assets are located there. Accordingly, no geographical segments are presented.

23. Selling and distribution expenses

	2007 RMB'000	2006 RMB'000
Transportation and loading	757,343	620,887
Packaging expenses	184,751	183,871
Port expenses	53,770	50,276
Salaries and welfare expenses	31,509	29,871
Sales commissions and other handling fee	22,956	18,881
Marketing and advertising	11,643	39,073
Depreciation-non-production property, plant and equipment	3,829	4,242
Others	121,173	80,774
	1,186,974	1,027,875

24. General and administrative expenses

	2007 RMB'000	2006 RMB'000
Salaries and welfare expenses	505,172	679,142
Taxes other than income taxes *(Note)*	708,630	631,094
Depreciation-non-production property, plant and equipment	196,042	113,518
Amortization-land use rights	42,435	35,298
Traveling and entertainment	156,296	161,309
Utilities and office supplies	88,368	64,439
Pollutants discharge fees	32,155	86,955
Repairs and maintenance	83,707	58,728
Insurance	57,593	54,617
Rental expenses		
– Head office	55,120	57,045
– Other branches and subsidiaries	63,869	38,670
Pre-operation expenses	—	7,934
Legal and professional fees	91,158	75,438
Auditors' remuneration	45,634	35,640
Loss on disposal of property, plant and equipment	160,943	90,730
Others	502,372	275,635
	2,789,494	2,466,192

Note:

Taxes other than income taxes mainly comprise land use tax, property tax and stamp duty.

25. Staff costs

	2007 RMB'000	2006 RMB'000
Wages, salaries and bonus	2,619,407	2,899,460
Housing fund	268,765	223,389
Contributions to retirement schemes *(Note (a))*	536,654	456,879
Welfare and other expenses *(Note (b))*	739,046	675,345
	4,163,872	4,255,073

Notes:

(a) The employees of the Group participate in various retirement benefit schemes organized by the relevant provincial and municipal governments under which the Group is required to make monthly defined contributions to these plans at rate of 20% (2006: 15% to 20%) of the employees' basic wages / salaries for the respective years. The Group's contributions to these defined contribution schemes are expensed as incurred and are not reduced by forfeited contributions. The assets of these schemes, which are operated by the respective governments, are held separately from the Group.

(b) Welfare and other expenses include welfare, staff committee expenses, education expenses and unemployment insurance expenses, etc.

Staff costs include remuneration payables to Directors, Supervisors and senior management as set out in Note 26.

26. Directors', Supervisors and senior management's remuneration

(a) Directors' and Supervisors' remuneration

The aggregate amounts of remuneration payables to Directors and Supervisors of the Company during the year are as follows:

	2007 RMB'000	2006 RMB'000
Fees	970	1,098
Basic salaries, housing allowances, other allowances and benefits in kind	2,972	3,107
Discretionary bonus	1,827	2,016
Contributions to the retirement scheme	114	106
	5,883	6,327

26. Directors', Supervisors and senior management's remuneration *(Continued)*

(a) Directors' and Supervisors' remuneration *(Continued)*

The remuneration of each Director and Supervisor for the year ended December 31, 2007 is set out below:

Name of Director and Supervisor	Fees	Salary	Discretionary bonus	Employer's contribution to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Director:					
Xiao Yaqing	—	743	577	21	1,341
Wang Dianzuo (Resigned on May 18, 2007)	91	—	—	—	91
Kang Yi	233	—	—	—	233
Luo Jianchuan	—	622	480	21	1,123
Chen Jihua	—	500	261	21	782
Joseph C. Muscari (Resigned on May 18, 2007)	58	—	—	—	58
Shi Chungui	150	—	—	—	150
Helmut Wieser (Appointed on May 18, 2007 and resigned on September 17, 2007)	51	—	—	—	51
Zhang Zhuoyuan (Appointed on May 18, 2007)	158	—	—	—	158
Liu Xiangmin (Appointed on May 18, 2007)	—	500	261	21	782
Poon Yiu Kin, Samuel	229	—	—	—	229
Zhang Chengzhong (Resigned on May 18, 2007)	—	208	109	9	326
	970	2,573	1,688	93	5,324

26. Directors', Supervisors and senior management's remuneration *(Continued)*

(a) Directors' and Supervisors' remuneration *(Continued)*

The remuneration of each Director and Supervisor for the year ended December 31, 2007 is set out below: *(Continued)*

Name of Director and Supervisor	Fees	Salary	Discretionary bonus	Employer's contribution to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisor:					
Yuan Li	—	399	139	21	559
Ao Hong	—	—	—	—	—
Zhang Zhankui	—	—	—	—	—
	—	399	139	21	559
Total	970	2,972	1,827	114	5,883

26. Directors', Supervisors and senior management's remuneration *(Continued)*

(a) Directors' and Supervisors' remuneration *(Continued)*

The remuneration of Directors and Supervisors for the year ended December 31, 2006 is set out below:

Name of Director and Supervisor	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonus *RMB'000*	Employer's contribution to retirement schemes *RMB'000*	Total *RMB'000*
Director:					
Xiao Yaqing	—	754	622	19	1,395
Xiong Weiping (Resigned on August 23, 2006)	—	423	346	12	781
Wang Dianzuo	266	—	—	—	266
Kang Yi	266	—	—	—	266
Luo Jianchuan	—	555	351	19	925
Chen Jihua	—	506	282	19	807
Joseph C. Muscari	150	—	—	—	150
Shi Chungui	150	—	—	—	150
Poon Yiu Kin, Samuel	266	—	—	—	266
Zhang Chengzhong (Appointed on October 13, 2006)	—	506	282	19	807
	1,098	2,744	1,883	88	5,813

26. Directors', Supervisors and senior management's remuneration *(Continued)*

(a) Directors' and Supervisors' remuneration *(Continued)*

The remuneration of Directors and Supervisors for the year ended December 31, 2006 is set out below: *(Continued)*

Name of Director and Supervisor	Fees	Salary	Discretionary bonus	Employer's contribution to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisor:					
Luo Tao (Resigned on August 23, 2006)	—	—	—	—	—
Ao Hong (Appointed on October 13, 2006)	—	—	—	—	—
Yuan Li	—	—	—	—	—
Ou Xiaowu (Resigned on August 23, 2006)	—	267	133	13	413
Zhang Zhankui (Appointed on October 13, 2006)	—	96	—	5	101
	—	363	133	18	514
Total	1,098	3,107	2,016	106	6,327

26. Directors', Supervisors and senior management's remuneration *(Continued)*

(a) Directors' and Supervisors' remuneration *(Continued)*

The remuneration of the Directors and Supervisors fell within the following bands:

	Number of individuals	
	2007	2006
	RMB'000	*RMB'000*
RMBNil to RMB1,000,000	**13**	14
RMB1,000,001-RMB1,500,000	**2**	1

During the year, no option was granted to the Directors or the Supervisors (2006: Nil).

During the year, no emolument was paid to the Directors or the Supervisors (including the five highest paid employees) as an inducement to join or upon joining the Company or as compensation for loss of office (2006: Nil).

No Directors or Supervisors of the Company waived any remuneration during the respective years.

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group for the year include 4 (2006: 4) Directors whose remuneration are reflected in the analysis presented above. The remuneration payable to the remaining 1 (2006: 1) individual during the year, are as follows:

	2007	2006
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**500**	506
Discretionary bonus	**261**	282
Contributions to the retirement scheme	**21**	19
	782	807

27. Expenses charged to the income statement

	2007	2006
	RMB'000	*RMB'000*
Amortization of land use rights	**42,435**	35,298
Loss on disposal of property, plant and equipment	**160,943**	90,730
Impairment loss on property, plant and equipment *(Note 8)*	**13,249**	16,924
Operating lease rentals in respect of land and buildings	**597,069**	358,492
Provision for inventory obsolescence	**5,390**	34,372
(Reversal of)/Provision for impairment on receivables *(Notes 14 and 15)*	**(5,672)**	5,446
Bad debts recovery	**(3,854)**	(2,227)

28. Income tax expense

	2007	2006
	RMB'000	*RMB'000*
Current taxation:		
PRC enterprise income tax	**2,793,187**	4,389,810
Over-provision in prior years	**(54,070)**	—
Deferred tax *(Note 17)*	**41,313**	20,864
	2,780,430	4,410,674

The current PRC enterprise income tax of the Group has been provided on the estimated assessable profit and the appropriate tax rates for the year. Certain branches and subsidiaries of the Group located in special regions of the PRC were granted tax concessions including paying preferential tax rate of 15% for a period of 10 years, exempting from PRC income tax for the first 5 years and a 50% reduction thereafter, exempting from income tax for the first year and a 50% reduction thereafter, etc. In addition, the Group also enjoyed incentive in the form of tax credit given by the relevant tax authorities in respect of domestically manufactured production equipment purchased.

28. Income tax expense *(Continued)*

On March 16, 2007, the National People's Congress approved the new CIT Law, which is effective from January 1, 2008. Under the new CIT Law, the corporate income tax rate applicable to the Company starting from January 1, 2008 will be 25%, replacing the existing applicable tax rate of 33%. For those branches and subsidiaries of the Company which are applying 15% tax rate, the tax rate will gradually increase to 25% while those entities located at western region continue to enjoy tax rate of 15% without any upward adjustment before 2011 when such tax rate will change to 25% by then.

The tax on the Group's profit before income tax differs from the expected amount that would arise using the basic tax rate in the PRC applicable to the Group as follows:

	2007 ***RMB'000***	2006 *RMB'000*
Profit before income tax	**14,409,354**	17,124,243
Tax calculated at a tax rate of 33%	**4,755,087**	5,651,000
Impact on deferred tax due to new CIT Law	**(1,866)**	—
Tax losses for which no deferred tax assets was recognized	**23,703**	5,369
Income not subject to tax	**(316,659)**	(219,189)
Expenses not deductible for tax purposes	**260,162**	245,414
Utilization of prior years' unrecognized tax losses	**(454)**	(30,109)
Differential tax rates on the profit of certain branches and subsidiaries	**(1,079,210)**	(1,155,751)
Tax credit for capital expenditure *(Note)*	**(805,564)**	(68,469)
Over-provision in prior years	**(54,070)**	—
Others	**(699)**	(17,591)
Tax charge	**2,780,430**	4,410,674
Weighted average effective tax rate	**19.30%**	25.76%

28. Income tax expense *(Continued)*

Note:

This primarily represents incentive in the form of tax credit given by the relevant tax authorities in respect of acquisition of domestically manufactured production equipment.

Share of associates' income tax expense for the year amounted RMB109 million (2006: RMB28 million), were included in the consolidated income statement as share of profits of associates.

The jointly controlled entities did not incur any income tax expense for the year (2006: Nil).

The decrease of the weighted average effective tax rate is mainly attributable to the enterprise income tax credit obtained from the purchase of domestically manufactured production equipment and the preferential income tax rate of 15% enjoyed from the acquisitions of Zunyi Aluminum and Lanzhou Aluminum, which are located in the western region of the PRC.

29. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB7,899 million (2006: RMB10,494 million).

30. Earnings per share

The calculation of basic earnings per share was based on the consolidated profit attributable to equity holders of the Company for the year ended December 31, 2007 of RMB10,245 million (2006: RMB11,842 million) and the weighted average number of 12,510,719,765 shares (2006: 11,439,465,194 shares) in issue during the year.

As there were no dilutive securities, there was no difference between basic and diluted earnings per share.

31. Dividends

A 2006 final dividend of RMB0.115 (2005: RMB0.214) per ordinary share, totaling approximately RMB1,482 million (2005: RMB2,365 million) was declared and approved in the shareholders' meetings. The 2006 and 2005 final dividends were fully paid before July 30, 2007 and May 31, 2006, respectively.

A 2007 interim dividend of RMB0.137 (2006 interim: RMB0.188) per ordinary share, totaling approximately RMB1,765 million (2006: RMB2,190 million) and a 2006 special dividend of RMB0.013 per ordinary share totaling approximately RMB168 million was declared and approved by the shareholders on October 12, 2007. As of December 31, 2007, RMB1,912 million has been paid.

On March 17, 2008, the Board of Directors proposed a cash dividend of RMB0.053 per ordinary share, totaling approximately RMB717 million. This proposal is subject to the approval of the shareholders at the annual general meeting. These financial statements do not reflect these dividends payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings for the year ending December 31, 2008.

32. Litigation and contingent liabilities

As of December 31, 2007, Fushun Aluminum, a subsidiary of the Company was named in the claims by various banks for its joint and several liabilities amounting to approximately RMB681 million (2006: RMB971 million) for the repayments of loans due from a third party. Fushun Aluminum was acquired by the Company from the third party in 2006.

The Directors, after obtaining independent legal advice, are of the opinion that as the acquisition was conducted on fair principle and the consideration was set close to the asset value of the assets acquired, no contingency provision for such claims is necessary as of December 31, 2007 (2006: Nil).

33. Commitments

(a) Capital commitments for property, plant and equipment:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Contracted but not provided for	**8,698,081**	2,183,520	**7,348,435**	1,889,328
Authorized but not contracted for	**18,656,691**	6,033,229	**9,998,984**	5,940,091
	27,354,772	8,216,749	**17,347,419**	7,829,419

(b) Commitments for capital contribution

On December 31, 2007, the Company had commitment in respect of the injection of additional capital into Chalco Zunyi Alumina Co., Ltd., a subsidiary of the Company, of approximately RMB550 million (2006: RMB750 million).

33. Commitments (Continued)

(c) Commitments under operating leases

As of December 31, 2007 and 2006, the Group and the Company had future aggregate minimum lease payments in relation to land and buildings under non-cancelable operating leases as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Not later than one year	686,921	322,949	634,522	278,959
Later than one year and not later than five years	2,747,684	1,291,796	2,538,092	1,115,838
Later than five years	23,713,941	11,148,965	23,147,813	10,483,182
	27,148,546	12,763,710	26,320,427	11,877,979

34. Related party balances and transactions

Related parties refer to entities in which Chinalco has the ability, directly or indirectly, to control or jointly control the other party, or exercise significant influence over the other party in making financial and operating decisions, or Directors or officers of the Company and of its holding company, jointly controlled entities and associates.

State-owned enterprises and their subsidiaries, other than entities under Chinalco (also a state-owned enterprise), directly or indirectly controlled by the PRC government are also defined as related parties of the Group in accordance with HKAS 24 "Related Party Disclosures".

Given that the PRC government still owns a significant portion of the productive assets in the PRC despite the continuous reform of the governments structure, the majority of the Group's business activities are conducted with enterprises directly or indirectly owned or controlled by the PRC government ("state-owned enterprises"), including Chinalco and its subsidiaries (collectively "Chinalco Group"), its associates and jointly controlled entities in the ordinary course of business.

34. Related party balances and transactions *(Continued)*

For the purpose of the related party balances and transactions disclosure, the Group has established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, management believes that all material related party balances and transactions have been adequately disclosed.

Chinalco does not publish financial statements for public use.

(a) Related party balances with Chinalco Group

(i) Due from Chinalco Group

Amounts due from Chinalco Group are as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	**2007 RMB'000**	2006 RMB'000
Trade receivables	**248,410**	225,189	**222,981**	198,629
Prepayments and other receivables	**137,164**	244,074	**91,986**	220,383
	385,574	469,263	**314,967**	419,012
Less: provision for impairment	**(203,723)**	(202,477)	**(203,723)**	(202,477)
	181,851	266,786	**111,244**	216,535

Receivables from Chinalco Group are unsecured, non-interest bearing and receivable on demand.

34. Related party balances and transactions *(Continued)*

(a) Related party balances with Chinalco Group *(Continued)*

(ii) Due to Chinalco Group

Amounts due to Chinalco Group are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**220,146**	194,270	**178,077**	120,310
Other payables	**1,396,213**	843,383	**1,083,332**	600,447
	1,616,359	1,037,653	**1,261,409**	720,757

Payables to Chinalco Group are unsecured, non-interest bearing and repayable on demand.

(b) Other related party balances

(i) Due from other related parties

Amounts due from other related parties are as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jointly controlled entities	**17,631**	14,631	**17,631**	14,631
Associates	**100**	13,799	**100**	438
Subsidiaries	**—**	—	**1,976,306**	1,521,860
Others	**18,327**	17,292	**18,327**	17,292
	36,058	45,722	**2,012,364**	1,554,221
Less: provision for impairment	**(16,954)**	(17,305)	**(16,954)**	(17,305)
	19,104	28,417	**1,995,410**	1,536,916

Amounts due from the parties above are unsecured, non-interest bearing and receivable on demand.

34. Related party balances and transactions *(Continued)*

(b) Other related party balances *(Continued)*

(ii) Due to other related parties

Amounts due to other related parties were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Jointly controlled entities	**366**	1,155	**366**	1,155
Associates	**12,020**	25,211	**12,020**	25,211
Subsidiaries	**—**	—	**128,479**	91,387
Others	**13,966**	—	**11,983**	—
	26,352	26,366	**152,848**	117,753

Amounts due to the parties above are unsecured, non-interest bearing and repayable on demand.

34. Related party balances and transactions *(Continued)*

(c) Related party balances with other state-owned enterprises

Included in the balance sheets, were balances with other state-owned enterprises as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current assets				
Accounts receivables, net	**85,004**	76,130	**54,586**	11,198
Other current assets	**289,226**	158,088	**67,118**	54,567
Bank balances	**7,460,227**	12,983,061	**4,942,906**	9,982,831
Non-current liabilities				
Long-term bank loans	**12,002,200**	8,725,736	**5,294,354**	3,210,936
Current liabilities				
Accounts payable and other liabilities	**1,080,545**	1,201,115	**911,828**	683,623
Short-term loans	**3,114,640**	3,647,040	**—**	—
Current portion of long-term bank loans	**2,169,600**	2,839,817	**1,549,938**	2,229,218
Short-term bonds	**3,051,471**	4,985,111	**3,051,471**	4,985,111

34. Related party balances and transactions *(Continued)*

(c) Related party balances with other state-owned enterprises *(Continued)*

Except for bank balances, loans and bonds stated above, all the balances of assets and liabilities with state-owned enterprises mentioned above are unsecured, non-interest bearing and receivable/ repayable within one year. All the accounts receivables and other current assets are unsecured and non-interest bearing as of 31 December 2007 and 2006.

Terms of the bank balances, long-term loans, short-term bonds and short-term loans are described in Notes 16 and 21, respectively.

For the year ended December 31 2007, the interest rates of long-term loans, short-term bonds and short-term loans from other state-owned enterprises are from 3.6% to 7.05%, 3.55% and from 5.22% to 7.24% (2006: 0.3% to 6.84%, from nil to 3.13% and from 4.86% to 6.12%) per annum respectively.

As of December 31, 2007, loans amounting to RMB780 million (2006: RMB1,258 million) were guaranteed by other state-owned enterprises.

34. Related party balances and transactions *(Continued)*

(d) Related party transactions with Chinalco Group and other related parties

Save as disclosed elsewhere in the consolidated financial statements, significant related party transactions which were carried out in the normal course of the Group's business during the year were as follows:

	Notes	2007 RMB'000	2006 RMB'000
Sales of materials and finished goods to:	(I)		
Chinalco Group		5,718,720	4,016,447
Jointly controlled entity		16,882	11,109
Associates		2,167,047	1,342,997
Others		207,156	14,405
		8,109,805	5,384,958
Provision of utility services	(II)		
Chinalco Group		433,503	298,235
Others		3,659	24
		437,162	298,259
Provision of engineering, construction and supervisory services by Chinalco Group	(III)	2,875,780	1,453,848
Purchases of key and auxiliary materials from:	(IV)		
Chinalco Group		5,304,035	2,564,385
Associates		243,524	585,835
Others		78,600	48,004
		5,626,159	3,198,224
Provision of social services and logistics services by Chinalco Group	(V)	921,321	1,082,906
Land and building rental charged by Chinalco Group	(VI)	680,049	317,480
Headquarters' office rental charged by Chinalco Group	(VI)	47,720	50,660

34. Related party balances and transactions *(Continued)*

(d) Related party transactions with Chinalco Group and other related parties *(Continued)*

Notes:

(I) Materials and finished goods sold to Chinalco Group during both periods mainly comprised sales of alumina, primary aluminum and scrap materials. Transactions entered into during the periods are covered by a general agreement on Mutual Provision of Production Supplies and Ancillary Services entered into between the Company and Chinalco. The pricing policy is summarized below:

(i) Adoption of the price prescribed by the PRC government ("Stated-prescribed price");

(ii) If there is no State-prescribed price then adoption of State-guidance price;

(iii) If there is neither State-prescribed price nor State-guidance price, then adoption of market price (being price charged to and from independent third parties); and

(iv) If none of the above is available, then adoption of a contractual price (being reasonable costs incurred in providing the relevant services plus not more than 5% of such costs).

(II) Utility services, including electricity, gas, heat and water, are supplied at the prices as set out in (I)(i) above.

(III) Engineering, project construction and supervisory services were provided by Chinalco Group to the Company mainly for construction projects during the period. Provisions of these services are covered by the Provision of Engineering, Construction and Supervisory Services Agreement. The State-guidance price as stated in (I)(ii) or prevailing market price (including tender price where by way of tender) is adopted for pricing purposes.

(IV) Purchases of key and auxiliary materials (including bauxite, limestone, carbon, cement, coal) from Chinalco Group are covered by the General Agreement on Mutual Provision of Production Supplies and Ancillary Services and Mineral Supply Agreement. The pricing policy is the same as that set out in (I) above.

(V) Social services and logistics services were provided by Chinalco Group and cover public security and fire services, education and training, school and hospital services, cultural and physical education, newspaper and magazines, publications and broadcasting and printing as well as property management, environmental and hygiene, greenery, nurseries and kindergartens, sanatoriums and canteens, guesthouses and offices, public transport and retirement management, and other services. Provisions of these services are covered by the Comprehensive Social and Logistics Services Agreement entered into between the Company and Chinalco Group. The pricing policy is the same as that set out in (I) above.

(VI) Rental fee is payable to Chinalco Group for use of land, inclusive of land for industrial or commercial purposes, occupied and used by the Company during the period covered by the Land Use Rights Leasing Agreement entered into between the Company and Chinalco Group.

34. Related party balances and transactions *(Continued)*

(d) Related party transactions with Chinalco Group and other related parties *(Continued)*

Notes: (Continued)

(VII) As of December 31, 2007, there existed the following arrangements entered into between the Group and Chinalco, fellow subsidiaries and other related parties:

(i) The Company granted to Chinalco a non-exclusive right to use two trademarks for a period of ten years from July 1, 2001 to June 30, 2011 at no cost pursuant to the Trademark License Agreement. The Company will be responsible for the payment of a total annual fee of no more than RMB1,000 to maintain effective registration. Under the terms of the agreement, Chinalco may negotiate extension upon terms to be agreed upon.

(ii) Guarantees granted by Chinalco to banks for the loans of the Group are covered by the Guarantee of Debts Contract entered into between the Company and Chinalco.

(e) Related party transactions with other state-owned enterprises:

	2007 **RMB'000**	2006 RMB'000
Purchases of electricity	**12,631,765**	9,108,860
Sales of goods	**13,185,802**	16,701,695
Purchases of raw materials	**6,624,388**	4,592,659
Purchase of property, plant and equipment (including construction services and materials)	**885,063**	1,244,505
Drawdown of long-term loans	**5,342,842**	635,300
Drawdown of short-term loans	**—**	3,178,369
Interest income received	**184,679**	185,705
Issuance of short-term bonds	**2,988,000**	3,014,271
Interest expense paid	**1,233,058**	961,844

Related party transactions with other state-owned enterprises were conducted in the normal course of business.

34. Related party balances and transactions *(Continued)*

(f) Key management compensation

	2007 RMB'000	2006 RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	3,413	3,789
Contributions to retirement scheme	123	126
Discretionary bonus	2,123	2,493
	5,659	6,408

35. Pledge of Assets

As mentioned in Note 21, various assets were pledge as collateral against certain loans. A summary of the pledged assets is as follows:

	Group		Company	
	2007 RMB'000	2006 RMB'000	2007 RMB'000	2006 RMB'000
Property, plant and equipment	706,354	3,180,730	—	—
Land use rights	49,481	248,528	—	—
Inventories	—	384,000	—	—
	755,835	3,813,258	—	—

36. Ultimate holding company

The Directors regard Chinalco, a company incorporated in the PRC, as being the ultimate holding company.

37. Events occurring after the balance sheet date

(a) In February 2008, the Company issues short-term bonds of RMB2 billion (face value of RMB100 each) at par. Such bonds carry annual coupon interest rate of 4.99%.

(b) In early 2008, certain divisions of the Company located at Guizhou and Guangxi were temporarily suspended in operations due to impacts from severe weather conditions, and caused impact on part of the Company's production on the primary aluminum. As of the date of this report, the Company has received compensation of RMB60 million from insurance company, and the divisions mentioned above are returning to production gradually.

(c) In February 2008, the Company entered into a capital injection agreement with Shandong Jiangquan Shiye Co., Ltd. and Linyi Jiangtai Aluminum Co., Ltd. agreeing a further capital injection into Huayu Aluminum of RMB824 million (amongst which the Company is required to inject RMB453 million). No change in the shareholding of 55% of this subsidiary upon the completion of such injection.

(d) On March 17, 2008, the Board of the Company passed the proposal of acquiring certain respective equity interests in Lanzhou Liancheng Longxing Aluminum Company Limited ("Liancheng Longxing") and five aluminum fabrication enterprises. The Company will acquire certain portion of the equity interests of Liancheng Longxing, Huaxi Aluminum Company Limited, Chinalco Ruimin Company Limited, Chinalco Southwest Aluminum Cold Rolling Company Limited, Chinalco Southwest Aluminum Company Limited and Chinalco Henan Aluminum Company Limited in an open tender process at China Beijing Equity Exchange. The proposal will be put forward for approval by independent shareholders of the Company.

38. Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.