1. Reorganization and basis of preparation

(a) Reorganization

Aluminum Corporation of China Limited 中國鋁業股份有限公司 ("the Company") was incorporated in the People's Republic of China (the "PRC") on September 10, 2001 as a joint stock company with limited liability as a result of a group reorganization of Aluminum Corporation of China 中國鋁業公司 ("Chinalco or the holding company") effective as of July 1, 2001 (the "Reorganization") in preparation for a listing of the Company's H shares and ADSs on the Main Board of The Stock Exchange of Hong Kong Limited and the New York Stock Exchange, Inc, respectively.

Pursuant to the Reorganization, shares were issued by the Company to the promoters in exchange for the transfer of various assets, liabilities and interests related to the alumina and primary aluminum businesses including (i) the mining and refining of bauxite into alumina, (ii) the smelting of alumina into primary aluminum,(iii) the research institute and (iv) the marketing, distribution, and sale of alumina and primary aluminum (collectively the "Core Units") to the Company, with the exception of one bauxite mine, two limestone quarries and one carbon plant (collectively the "Excluded Businesses") and certain bank balances (the "Excluded Cash") which were retained by Chinalco. Included in the assets transferred as referred to above are assets jointly owned with Guizhou Provincial Materials Development and Investment Corporation 貴州省物資開發投資公司 ("Guizhou Development") for the production of primary aluminum for sale in Guizhou province. Ownership of those jointly owned assets was based on the amount of capital contributed and the Group had control over the operations of the jointly owned assets.

Hereinafter, the Group refers to the Company together with its subsidiaries or, where the context so requires, in respect of the period before the Reorganization, such subsidiaries, the Excluded Businesses and the Excluded Cash as if they were either the Company's subsidiaries or part of the Company at that time.

(b) Basis of preparation

The consolidated financial statements and the pro forma financial information, as referred in (ii) below, have been prepared under the historical cost convention as modified by the valuation of short-term investments.

(i) Consolidation

The consolidated financial statements are accounted for using the acquisition accounting method and included the results of the Company and its subsidiaries made up to December 31.

The net result for the period from July 1, 2001 to September 9, 2001 of the businesses transferred to the Company has been accounted for by the Company because, as part of the Reorganization, the assets and liabilities related to the businesses that were transferred by Chinalco to the Company were separately managed with effect from July 1, 2001. Such net result has been presented as a separate line on the consolidated profit and loss account for the period from September 10, 2001 to December 31, 2001.

1. Reorganization and basis of preparation *(continued)*

(b) Basis of preparation *(continued)*

(ii) Combined financial information

The pro forma financial information, which is presented here for comparison purposes only, comprises the pro forma combined profit and loss account, pro forma combined cash flow statement and pro forma combined statement of changes in equity together with the notes thereto of the Group for the year ended December 31, 2001 on the basis as set out below.

The pro forma combined profit and loss account including the notes thereto for the year ended December 31, 2001 includes the combined results of the Group for the six months ended June 30, 2001, prepared on a combined basis as if the operations and business of and the assets and liabilities related to the Core Units and both the Excluded Businesses and the Excluded Cash were transferred to the Group from Chinalco on January 1, 2001, and the consolidated results of the Group for the six months ended December 31, 2001, prepared on a basis taking into account of the effect of the Reorganization.

The pro forma combined cash flow statement and the pro forma combined statement of changes in equity including the notes thereto for the year ended December 31, 2001 are prepared based on the pro forma combined balance sheet as of December 31, 2000 and consolidated balance sheet as of December 31, 2001.

In the opinion of the Directors, the inclusion of the pro forma financial information as comparative figures gives a more meaningful view of the results of the Group as a whole.

2. Principal accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements and the pro forma financial information conform with accounting principles generally accepted in Hong Kong.

The following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants ("HKSA") became effective for accounting periods commencing on or after January 1, 2002:

SSAP1 (revised)	: Presentation of financial statements
SSAP11 (revised)	: Foreign currency translation
SSAP15 (revised)	: Cash flow statements
SSAP33	: Discontinuing operations
SSAP34 (revised)	: Employees benefits

The adoption of the above SSAPs has no material effect on the Group's prior year financial statements.

2. Principal accounting policies *(continued)*

The principal accounting policies adopted are set out below:

(a) Subsidiaries

Subsidiaries are enterprises in which the Group controls the composition of the Board of Directors, controls more than half of the voting power, holds more than 50 percent of the issued share capital or has power to exercise control over the financial and operating policies. Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

The results of operations of subsidiaries acquired or disposed of during the period/year are included in the profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate, and the share attributable to minority interests is deducted from the net results. Intercompany transactions and balances within the Group are eliminated on consolidation/combination.

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

(b) Joint ventures

Joint ventures comprise jointly controlled entities as well as jointly owned assets.

(i) Jointly controlled entity

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. Equity accounting is adopted and, accordingly, the profit and loss account includes the Group's share of the results of jointly controlled entities for the period/year, and the consolidated balance sheet include the Group's share of the net assets of the jointly controlled entities.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost to the Company 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.

(ii) Jointly owned assets

Jointly owned assets are those assets jointly owned by the Group and other third parties for the purpose of undertaking economic activities in which each party is entitled to its respective share of the output. The pro forma combined profit and loss account includes the Group's share of the income and expenses arising from jointly controlled assets for the period up to the date of the Reorganization when the interests of such other third parties in the jointly owned assets were acquired by the Group.

2. Principal accounting policies *(continued)*

(c) Property, plant and equipment

(i) Tangible fixed assets are stated at cost to the Group less accumulated depreciation and accumulated impairment losses.

Tangible fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses to their estimated residual value over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

Costs incurred in maintaining fixed assets in their normal working conditions are charged to the profit and loss account. Improvements are capitalized and depreciated over their expected useful lives to the Group.

(ii) The carrying amounts of long-lived assets are reviewed whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is measured as the higher of net selling price and value in use, calculated based on discounted future pre-tax cash flows related to the asset or the cash generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or group of assets. Estimates of future cash flows include projections of cash inflows from the continuing use of the asset; projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and that can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life. If there is an indication of impairment, the carrying value of such assets is written down to its recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

2. Principal accounting policies *(continued)*

(d) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost to the Group. Cost comprises direct costs of construction as well as finance costs related to funds borrowed specifically for the purpose of obtaining a qualifying asset. Borrowing costs are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Capitalization of these borrowing costs ceases and the construction in progress is transferred to fixed assets when the asset is substantially ready for its intended use.

(e) Intangibles

(i) Goodwill

Goodwill which represents the excess of purchase consideration over the fair values ascribed to the separable net assets of subsidiaries acquired is recognized as an asset and amortized on a straight-line basis over its estimated useful economic life of not more than 20 years.

The gain or loss on disposal of an entity includes the unamortized balance of goodwill relating to the entity disposed of.

(ii) Research and development costs

Research and development costs are expensed as incurred, except for development costs where the technical feasibilities of the product under development have been demonstrated, costs are identifiable and a market exists for the product such that it is probable that it will be profitable. Such development costs are recognized as an asset and amortized on a straight-line basis over the estimated economic useful period to reflect the pattern in which the related economic benefits are recognized.

No development costs were recognized as assets by the Group.

(iii) Mining rights

Mining rights acquired are capitalized and stated at cost to the Group less accumulated amortization and accumulated impairment losses. 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.

(iv) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

2. Principal accounting policies *(continued)*

(f) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

The Group did not have any assets under finance leases.

(g) Investments in securities

(i) Investment securities

These represent long-term investments in unlisted securities and which are stated at cost to the Group less provision for diminution in value, other than diminution of a temporary nature. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The amount of the reduction is recognized as an expense in the profit and loss account.

(ii) Trading securities

These represent short-term investments in listed securities that the Group intends to hold for sale and are carried at fair value, which normally represents the market value. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of the investments are recognized in the profit and loss account. Gains or losses on disposal of short-term investments, representing the difference between the net sales proceeds and the carrying amounts, are recognized in the profit and loss account as they arise.

(iii) Futures contracts

The Group uses futures contracts to reduce its exposure to fluctuations in the price of primary aluminum. Payments for entering into these futures contracts are initially recognized in the balance sheet at cost and are subsequently remeasured at their fair value. Changes in fair value of futures contracts are recognized immediately in the profit and loss account.

The fair value of futures contracts is based on quoted market prices at the balance sheet date.

(h) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost to the Group and net realizable value. Cost, calculated on the weighted average method, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2. Principal accounting policies *(continued)*

(i) Accounts and other receivables

Provision is made against accounts and other receivables to the extent which they are considered to be doubtful. Accounts and other receivables in the balance sheet are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand, deposits held at call with banks, time deposits with an initial term of within three months less advances from bank with repayment within three months from the date of the advance and bank overdrafts.

(k) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are recognized as income or expenses in the profit and loss account.

(l) Provisions

Provisions 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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

2. Principal accounting policies *(continued)*

(n) Taxation

Income taxation charged to the results comprise current and deferred tax. Current income tax is calculated based on the taxable income at the prevailing applicable rates of taxation for the period/year that is chargeable to tax.

Deferred taxation is provided for under the liability method, at the current taxation rate, in respect of temporary timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(o) Revenue recognition

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.

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

Interest income is recognized on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

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

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave, sick leave, maternity leave and paternity leave, where applicable, are not recognized until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and 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.

(iii) Retirement obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plan 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. Contributions to these plans are expensed as incurred.

2. Principal accounting policies *(continued)*

(q) Borrowing costs

Borrowing costs are charged to the profit and loss account in the period/year in which they are incurred unless they are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

(r) Environmental expenditures

Environmental expenditures mainly include expenditures necessary to complete remediation efforts and expenses related to the handling of waste water, gas and materials. Environmental expenditures that relate to current ongoing operations or to conditions caused by past operations are expensed as incurred.

Under the PRC law, the Company is required to remediate the area that it mines. The government of the province in which the mine is located prescribes the remediation requirements on the basis of the future intended use of the land and monitors the Company's remediation efforts. Such activities are typically performed concurrently with production. However, remediation efforts at certain mines are expected to commence after 2007 and the Company has established a liability sufficient to meet its remediation obligations. The expenditures necessary to complete remediation efforts are not expected to be material to cash flows or results of operations in any period.

(s) Government subsidies

A government subsidy is initially recognized as deferred income, when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the subsidy will be received.

Government subsidies relating to income are recognized as other income in the profit and loss account on a systematic basis to match with the related costs which they are intended to compensate. Subsidies relating to assets are recognized in the financial statements, on a systematic basis over the useful lives of the related assets.

Government subsidies relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to profit and loss account on a straight-line basis over the expected lives of the related assets.

2. Principal accounting policies *(continued)*

(t) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and exclude assets not dedicated to a particular segment (Note 3(ii)). Segment liabilities comprise operating liabilities and exclude liabilities not dedicated to a particular segment (Note 3(iii)). Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

3. Turnover, revenue and segment information

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

	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
	RMB'000	*RMB'000*	*RMB'000*
Turnover			
Sales of goods, net of value-added tax	**16,792,766**	5,112,820	15,987,913
Other revenues			
Sale of scrap and other materials	**194,961**	89,049	292,621
Supply of electricity, heat, gas and water	**163,759**	46,597	144,664
Rendering of services	**122,056**	62,794	141,499
Interest income	**42,069**	12,646	42,767
Income from investment securities	**30**	19	19
Total other revenues	**522,875**	211,105	621,570
Total revenues	**17,315,641**	5,323,925	16,609,483

Primary reporting format - business segments

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

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

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

For the period to June 30, 2001, sales between segments in the same plant were made at cost whereas sales between plants were made at prices approximate to market prices. Effective July 1, 2001, all inter-segment and inter-plant sales are made at prices approximate to market prices.

3. Turnover, revenue and segment information *(continued)*

Primary reporting format - business segments *(continued)*

	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
	RMB'000	*RMB'000*	*RMB'000*
Segment results			
Turnover			
Alumina			
External sales	**7,458,951**	2,298,400	7,056,682
Inter-segment sales	**2,320,642**	606,866	2,124,637
	9,779,593	2,905,266	9,181,319
Primary aluminum			
External sales	**9,268,120**	2,797,859	8,888,064
Corporate and other services			
External sales (i)	**65,695**	16,561	43,167
Inter-segment elimination	**(2,320,642)**	(606,866)	(2,124,637)
Total turnover	**16,792,766**	5,112,820	15,987,913
Cost of goods sold			
Alumina	**7,697,545**	2,158,012	6,228,266
Primary aluminum	**7,902,487**	2,385,604	7,479,896
Corporate and other services	**48,041**	15,638	38,336
Inter-segment elimination	**(2,289,712)**	(605,851)	(2,100,248)
Total cost of goods sold	**13,358,361**	3,953,403	11,646,250
Gross profit			
Alumina	**2,082,048**	747,254	2,953,053
Primary aluminum	**1,365,633**	412,255	1,408,168
Corporate and other services	**17,654**	923	4,831
Inter-segment elimination	**(30,930)**	(1,015)	(24,389)
Total gross profit	**3,434,405**	1,159,417	4,341,663
Net profit for the period from July 1, 2001 to September 9, 2001			
Alumina	**—**	179,498	—
Primary aluminum	**—**	245,305	—
Corporate and other services	**—**	(6,090)	—
Unallocated	**—**	(199,150)	—
Total net profit for the period from July 1, 2001 to September 9, 2001	**—**	219,563	—

3. Turnover, revenue and segment information *(continued)*

Primary reporting format - business segments *(continued)*

	Consolidated year ended December 31, 2002 *RMB'000*	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*
Segment results (continued)			
Other costs, net of other revenues and other income			
Alumina	**702,426**	230,034	831,629
Primary aluminum	**221,975**	41,536	190,729
Corporate and other services	**75,587**	20,566	30,511
Unallocated	**311,729**	131,990	330,649
Total other costs, net of other revenues and other income	**1,311,717**	424,126	1,383,518
Segment operating profit (loss)			
Alumina	**1,379,622**	696,718	2,121,424
Primary aluminum	**1,143,658**	616,024	1,217,439
Corporate and other services	**(57,933)**	(25,733)	(25,680)
Unallocated	**(311,729)**	(331,140)	(330,649)
Inter-segment elimination	**(30,930)**	(1,015)	(24,389)
Total operating profit	**2,122,688**	954,854	2,958,145
Finance costs	**490,614**	170,684	549,410
Operating profit after finance costs	**1,632,074**	784,170	2,408,735
Share of loss of a jointly controlled entity	**254**	1,183	125
Profit before income taxes	**1,631,820**	782,987	2,408,610
Income taxes	**183,393**	182,400	756,820
Profit after income taxes	**1,448,427**	600,587	1,651,790
Minority interests	**46,822**	6,905	63,713
Profit for the year/period	**1,401,605**	593,682	1,588,077
Capital expenditure			
Alumina	**3,192,788**	1,533,590	2,457,123
Primary aluminum	**700,572**	347,548	640,110
Corporate and other services	**49,304**	26,893	27,638
Unallocated	**29,930**	24,737	177,657
Total capital expenditure	**3,972,594**	1,932,768	3,302,528

3. Turnover, revenue and segment information *(continued)*

Primary reporting format - business segments *(continued)*

	Consolidated year ended December 31, 2002 **RMB'000**	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 RMB'000	Pro forma combined year ended December 31, 2001 RMB'000
Depreciation and amortization charged to the profit and loss account			
Alumina	**1,301,487**	361,844	1,131,750
Primary aluminum	**702,149**	195,552	603,704
Corporate and other services	**4,768**	795	1,969
Unallocated	**17,252**	33,284	76,881
Total	**2,025,656**	591,475	1,814,304
Impairment losses charged to the profit and loss account			
Alumina	**—**	15,374	16,907
Corporate and other services	**—**	1,645	1,645
Total	**—**	17,019	18,552

	Consolidated as of December 31,	
	2002 **RMB'000**	2001 RMB'000
Segment assets		
Alumina	**19,777,345**	18,640,892
Primary aluminum	**9,320,057**	9,406,264
Corporate and other services	**2,074,000**	3,388,545
Unallocated (ii)	**1,469,237**	2,188,960
	32,640,639	33,624,661
Inter-segment elimination	**(720,675)**	(227,150)
Total assets	**31,919,964**	33,397,511

3. Turnover, revenue and segment information *(continued)*

Primary reporting format - business segments *(continued)*

	Consolidated as of December 31, 2002 RMB'000	2001 RMB'000
Segment liabilities		
Alumina	**7,323,135**	9,403,868
Primary aluminum	**2,079,414**	3,056,013
Corporate and other services	**1,438,618**	999,210
Unallocated (iii)	**5,272,396**	6,069,485
	16,113,563	19,528,576
Inter-segment elimination	**(155,355)**	(657,030)
Total liabilities	**15,958,208**	18,871,546

(i) Sales of corporate and other services mainly represent the sales of alumina by Zhengzhou Light Metals Research Institute.

(ii) Unallocated assets, which represent assets not dedicated to a particular segment, consist primarily of bank balances and cash, investments, deferred tax assets, other receivables and fixed assets.

(iii) Unallocated liabilities, which represent liabilities not dedicated to a particular segment, consist primarily of short-term and long-term loans, taxation payable and other liabilities.

Secondary reporting format - geographical segments

All assets and operations of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

4. Expenses related to other revenues

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTINUED)*

5. Selling and distribution expenses

	Consolidated year ended December 31, 2002 *RMB'000*	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*
Advertising expenses	**410**	560	2,527
Packaging expenses	**137,972**	16,897	49,626
Salaries and welfare expenses	**27,336**	3,819	9,354
Transportation and loading	**268,518**	92,751	230,083
Others	**67,593**	17,559	43,637
	501,829	131,586	335,227

6. General and administrative expenses

	Consolidated year ended December 31, 2002 *RMB'000*	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*
Auditors' remuneration	**17,350**	16,574	17,890
Depreciation	**73,166**	28,969	85,367
Impairment loss on fixed assets	**—**	17,019	18,552
Loss on disposal of fixed assets	**7,270**	13,617	34,922
(Write-back of provision) provision for doubtful debts and bad debts written off, net	**(97,050)**	(5,484)	54,216
Insurance	**23,124**	11,041	43,137
Repairs and maintenance	**24,463**	16,025	39,493
Salaries and welfare expenses	**226,680**	77,567	262,307
Taxes other than income taxes (Note (a))	**178,169**	51,881	177,990
Travelling and entertainment	**41,047**	16,387	41,701
Utilities and office supplies	**53,836**	20,924	53,193
Amortization of goodwill (Note 17)	**24,648**	7,568	12,324
Amortization of mining rights (Note 17)	**19,471**	3,170	4,755
Others	**132,782**	92,024	228,564
	724,956	367,282	1,074,411

(a) Taxes other than income taxes mainly comprise land use tax, city construction tax and education surcharge. City construction tax and education surcharge are levied on an entity based on its total amount of value-added tax and business tax payable.

7. Other expenses (income), net

	Consolidated year ended December 31, 2002 ***RMB'000***	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*
Government subsidies	**(990)**	(20,468)	(22,263)
Interest waived (Note (a))	**—**	(103,000)	(103,265)
Net exchange loss (gain) (Note (b))	**28,276**	1,400	(9,913)
Penalties, fines and compensations	**1,197**	1,030	1,424
Unrealized loss (gain) on short-term investments	**786**	1,608	(1,803)
Unrealized gain on futures contracts	**(13,180)**	(500)	(500)
	16,089	(119,930)	(136,320)

(a) The gain recorded in 2001 was mainly related to an arrangement made in 2000 between Shanxi Aluminum Plant (now a branch of the Company pursuant to the Reorganization) and the State Development Bank of China for full settlement of the outstanding interest payable of RMB513 million by the payment of a lump sum of RMB410 million. The gain was deferred and not recognized in 2000 due to the presence of a condition at that time that the State Development Bank of China reserved the right to withdraw this interest waiver should there be any future occurrence of overdue loan principal and interest payable. The gain was recognized in 2001 given that the right to withdraw no longer applied following the replacement of the loan agreement by a new agreement entered into between the Company and the State Development Bank of China at the end of 2001.

(b) The net exchange loss for the year ended December 31, 2002 was mainly related to foreign currency borrowings.

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

(a) Directors' and Supervisors' remuneration

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

	Consolidated year ended December 31, 2002 ***RMB'000***	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*
Fees	**817**	72	72
Basic salaries, housing allowances, other allowances and benefits in kind	**2,381**	938	4,019
Discretionary bonuses	**—**	—	—
Contributions to the retirement scheme	**46**	19	37
	3,244	1,029	4,128

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

	Number of Directors and Supervisors		
	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
Nil - RMB1,000,000	**12**	10	9
RMB1,000,001 - RMB2,000,000	**—**	—	1

Directors' fees disclosed above of RMB291,500, RMB72,080 and RMB72,080 were in respect of amount payable to the two independent non-executive Directors for the respective periods. The remuneration for the period prior to the incorporation of the Company (as included in the pro forma combined financial information for the year ended December 31, 2001) represents historical amounts paid to the Directors who were the management staff of the Group during that period.

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

8. Directors', Supervisors and senior management's remuneration *(continued)*

(b) Five highest paid individuals

The five individuals whose remuneration were the highest in the Group were as follows:

	Number of individuals		
	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
Directors and Supervisors	**3**	4	5
Senior management	**2**	1	-

Details of remuneration of senior management amongst the five highest paid individuals are as follows:

	Consolidated year ended December 31, 2002 ***RMB'000***	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	(Note) Pro forma combined year ended December 31, 2001 *RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**782**	151	—
Discretionary bonuses	**—**	—	—
Contributions to the retirement scheme	**18**	2	—
	800	153	—

Note: The five individuals whose remuneration amounts were the highest for that year were also Directors and Supervisors and their amounts of remuneration are reflected in the analysis in Note 8(a).

9. Staff costs

	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
	RMB'000	*RMB'000*	*RMB'000*
Wages and salaries	**1,531,308**	452,050	1,608,645
Housing subsidies (Note (a))	**121,984**	33,644	125,126
Contributions to retirement schemes (Note (b))	**275,329**	65,790	166,969
Welfare and other expenses	**285,688**	97,225	445,278
	2,214,309	648,709	2,346,018

(a) Housing subsidies are provided to staff in the form of pecuniary subsidy. Prior to 2000, staff quarters were allocated to eligible employees for consideration based on the then prevailing relevant State policies and related losses were charged to the profit and loss account. In relation to the Reorganization, any gains or losses arising from allocation of staff quarters to employees of the Group subsequent to December 31, 2000 are entitled to or borne by Chinalco.

(b) The employees of the Group participate in various retirement benefit plans organized by the relevant municipal and provincial governments under which the Group was required to make monthly defined contributions to these plans at rates ranging from 15% to 25% of the employees' basic salary for the respective periods. The Group's contributions to these defined contribution schemes are expensed as incurred and are not reduced by forfeited contributions. The assets of the scheme, which is operated by the respective governments are held separately from the Company and its subsidiaries.

(c) Staff costs include remuneration paid to Directors, Supervisors and senior management as set out in Note 8.

10. Expenses charged to the profit and loss account

	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
	RMB'000	*RMB'000*	*RMB'000*
Depreciation	**1,981,537**	580,737	1,797,225
Operating lease rentals in respect of land and buildings	**116,428**	43,635	71,559

11. Finance costs

	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	**553,392**	175,113	546,193
Interest on other loans			
Wholly repayable within five years	**15,557**	16,659	24,688
Not wholly repayable within five years	**61**	—	20,800
Total finance costs incurred	**569,010**	191,772	591,681
Less: amount capitalized in construction in progress	**(78,396)**	(21,088)	(42,271)
	490,614	170,684	549,410
Interest rates per annum at which finance costs were capitalized	**6.0% to 6.2%**	6.0% to 6.5%	6.0% to 7.0%

12. Taxation

(a) The amount of taxation charged to the profit and loss account represents:

	Consolidated year ended December 31, 2002 *RMB'000*	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*
Current taxation:			
PRC income tax	**343,980**	215,200	799,409
Overprovision in prior period (Note (c))	**(171,568)**	—	—
Deferred tax	**10,981**	(32,800)	(43,715)
	183,393	182,400	755,694
Share of income tax attributable to a jointly controlled entity	**—**	—	1,126
	183,393	182,400	756,820

(b) The current PRC income taxes of the Company, its subsidiaries and the jointly controlled entity have been provided at the basic tax rate of 33% on the assessable profits for the respective periods, except for those related to the following operations in the Group:

(i) Pursuant to "Guo Ban Fa 2001 No.73" dated September 29, 2001 issued by the State Council of the PRC and approved by the respective local tax authorities in late 2002, three branches of the Company located in the western region of China (namely Guangxi branch, Qinghai branch and Guizhou branch), were granted a tax concession to pay PRC income tax at a preferential rate of 15%. The preferential tax rate is applicable to qualified operations in specified regions with retroactive effect from January 1, 2001 for a ten-year period to December 31, 2010 as long as the three branches continue to engage in qualified operations in their respective regions. Accordingly, the over provision of taxation payable in relation to the three branches for year 2001 were written back during the current year.

(ii) A subsidiary in Shandong is taxed at a preferential rate of 15% since January 1, 2000 as it is classified as a "high-tech" enterprise in its province for tax purposes.

12. Taxation *(continued)*

(b) *(continued)*

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:

	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	**1,631,820**	782,987	2,408,610
Tax calculated at a tax rate of 33%	**538,501**	258,386	794,841
Deferred tax benefit arising from tax losses not recognized	**2,951**	63,043	87,500
Income not subject to tax	**(86,124)**	(171,107)	(204,953)
Expenses not deductible for tax purposes	**71,303**	43,545	201,584
Utilization of prior period unrecognized tax losses	**—**	—	(78,227)
Differential tax rate on the profit of certain branches and a subsidiary	**(171,670)**	(11,467)	(43,925)
Over provision in prior period	**(171,568)**	—	—
Tax charge	**183,393**	182,400	756,820

Prior to the Reorganization, the Core Units now comprising the Group were separate independent entities for tax reporting and filing purposes. Certain of these Core Units had incurred tax losses in previous periods. Given the restrictions on the utilization of such tax losses for periods subsequent to the Reorganization, the Company is awaiting final agreement by the relevant tax authorities in Beijing regarding the use of such tax losses . The resulting deferred tax benefit arising from these tax losses of approximately RMB220 million (December 31, 2001: RMB220 million) has not been recognized in the financial statements.

(c) Over provision of taxation payable in prior period represents the effect of reduced tax rate on taxation payable as referred to in (b)(i) above.

12. Taxation *(continued)*

(d) Deferred income tax is calculated on temporary timing differences under the liability method using the respective applicable rates. The movements in the deferred tax account are as follows:

	Consolidated year ended December 31, 2002	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001	Pro forma combined year ended December 31, 2001
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year/period	**43,715**	—	—
Transfer (to) from profit and loss account	**(10,981)**	43,715	43,715
At the end of the year/period	**32,734**	43,715	43,715
Provided for in respect of:			
Provision for receivables and inventories	**29,258**	33,594	33,594
Other timing differences	**3,476**	10,121	10,121
Total deferred tax assets	**32,734**	43,715	43,715
The potential deferred taxation not provided for in the financial statements amounts to:			
Tax losses	**220,332**	220,332	220,332
Other timing differences	**29,700**	177,000	177,000
	250,032	397,332	397,332

Deferred tax balances are attributable to the following items:

	Group		**Company**	
	As of December 31,		**As of December 31,**	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current deferred tax assets:				
Provision, primarily related to receivables	**29,258**	33,594	**17,398**	19,593
Other timing differences	**3,476**	10,121	**6,671**	10,121
Total deferred tax assets	**32,734**	43,715	**24,069**	29,714

13. Profit for the year/period

The consolidated net profit of the Group for the year ended December 31, 2002 of RMB1,401,605,000 (Period from September 10, 2001 to December 31, 2001 of RMB593,682,000) is dealt with in the financial statements of the Company to the extent of RMB1,358,213,000 (RMB566,855,000, inclusive of the net profit for the period from July 1, 2001 to September 9, 2001 of RMB196,701,000).

14. Dividend

	Year ended December 31, 2002 RMB'000	Period from September 10, 2001 (date of incorporation) to December 31, 2001 RMB'000
Final, proposed of RMB0.045 (Period from September 10, 2001 to December 31, 2001) RMB0.017 per share	**472,496**	178,498

The proposed final dividend for the year ended December 31, 2002 was declared at the meeting held on April 14, 2003. This proposed dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2003.

15. Earnings per share

The calculation of basic earnings per share is based on the Group's profit for the year ended December 31, 2002 of RMB1,401,605,000 (Period from September 10, 2001 to December 31, 2001: RMB593,682,000) and the weighted average number of 10,495,862,841 shares (Period from September 10, 2001 to December 31, 2001: 8,244,294,525 shares) in issue during the year.

The calculation of pro forma earnings per share for the year ended December 31, 2001 is based on the Group's pro forma combined profit of RMB1,588,077,000 and the pro forma weighted average number of 8,122,481,912 shares in issue during the period since the legal formation of the Company.

As there are no dilutive securities, there is no difference between basic and diluted earnings per share.

16. Excluded businesses

The pro forma combined profit and loss account for the year ended December 31, 2001 includes results of operations of the Excluded Businesses as set out below for the period from January 1, 2001 to June 30, 2001, the date immediately before the effective date of Reorganization, when such businesses were retained by Chinalco pursuant to the Reorganization (Note 1(a)). Accordingly, these operations were not included in the Company's operations subsequent to the Reorganization.

	Pro forma combined year ended December 31, 2001 *RMB'000*
Turnover	4,022
Operating loss before financing costs	13,604
Finance costs	2,400
Net loss	16,004

17. Intangible assets

	Group and Company		
	Goodwill *RMB'000*	**Mining rights** *RMB'000*	**Total** *RMB'000*
As of January 1, 2002	480,630	280,586	761,216
Additions	—	19,840	19,840
Amortization charge for the year (Note 6)	(24,648)	(19,471)	(44,119)
As of December 31, 2002	**455,982**	**280,955**	**736,937**
As of December 31, 2002			
Cost	**492,954**	**285,341**	**778,295**
Additions	**—**	**19,840**	**19,840**
Accumulated amortization	**(36,972)**	**(24,226)**	**(61,198)**
Net book amount	**455,982**	**280,955**	**736,937**
As of December 31, 2001			
Cost	492,954	285,341	778,295
Accumulated amortization	(12,324)	(4,755)	(17,079)
Net book amount	480,630	280,586	761,216

18. Property, plant and equipment

	Group					
	Construction in progress	**Buildings**	**Plant and machinery**	**Motor vehicles and transportation facilities**	**Office and other equipment**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
As of January 1, 2002	3,244,608	10,483,523	19,157,200	686,433	184,894	33,756,658
Additions	3,743,909	35,881	94,256	84,800	13,748	3,972,594
Transfers	(3,443,433)	1,047,465	2,343,960	89,469	(37,461)	-
Disposals	—	(11,148)	(60,646)	(21,901)	(19,558)	(113,253)
As of December 31, 2002	**3,545,084**	**11,555,721**	**21,534,770**	**838,801**	**141,623**	**37,615,999**
Accumulated depreciation and impairment						
As of January 1, 2002	11,406	3,395,064	9,317,534	403,159	71,344	13,198,507
Charge for the year	—	435,361	1,365,764	88,111	33,686	1,922,922
Transfers	(11,406)	3,019	19,940	19,164	(30,717)	-
Disposals	—	(2,500)	(44,319)	(15,548)	(6,628)	(68,995)
As of December 31, 2002	**—**	**3,830,944**	**10,658,919**	**494,886**	**67,685**	**15,052,434**
Net book value						
As of December 31, 2002	**3,545,084**	**7,724,777**	**10,875,851**	**343,915**	**73,938**	**22,563,565**
As of December 31, 2001	3,233,202	7,088,459	9,839,666	283,274	113,550	20,558,151

18. Property, plant and equipment *(continued)*

	Company					
	Construction in progress *RMB'000*	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles and transportation facilities *RMB'000*	Office and other equipment *RMB'000*	Total *RMB'000*
Cost						
As of January 1, 2002	2,649,154	9,846,967	17,495,482	663,713	173,738	30,829,054
Additions	3,413,046	36,009	6,238	78,511	12,709	3,546,513
Transfer from a subsidiary	342,075	—	—	—	—	342,075
Transfer	(2,971,278)	910,300	2,023,982	89,581	(52,585)	—
Disposals	—	(5,180)	(45,419)	(21,192)	(10,708)	(82,499)
As of December 31, 2002	**3,432,997**	**10,788,096**	**19,480,283**	**810,613**	**123,154**	**34,635,143**
Accumulated depreciation and impairment						
As of January 1, 2002	11,406	3,241,059	8,553,953	396,165	66,464	12,269,047
Charge for the year	—	394,870	1,262,307	83,877	27,506	1,768,560
Transfers	(11,406)	3,019	19,940	19,164	(30,717)	—
Disposals	—	(2,500)	(27,897)	(15,157)	(464)	(46,018)
As of December 31, 2002	**—**	**3,636,448**	**9,808,303**	**484,049**	**62,789**	**13,991,589**
Net book value						
As of December 31, 2002	**3,432,997**	**7,151,648**	**9,671,980**	**326,564**	**60,365**	**20,643,554**
As of December 31, 2001	2,637,748	6,605,908	8,941,529	267,548	107,274	18,560,007

All the buildings of the Group and of the Company are located in the PRC.

As of December 31, 2002, no fixed assets were pledged as security. As of December 31, 2001, fixed assets with total net book value of approximately RMB2,238,406,000 and RMB2,187,760,000, respectively were pledged as security for bank borrowings of the Group and of the Company.

19. Investments in subsidiaries

	Company	
	2002	2001
	RMB'000	*RMB'000*
Investments at cost:		
Unlisted securities	**210,800**	385,581
Shares listed in the PRC	**965,196**	965,196
	1,175,996	1,350,777

Shares listed in the PRC are in respect of shares in Shandong Aluminum Industry Co., Ltd. The total market value of such listed shares as of December 31, 2002 was RMB3,128,062,000 (2001: RMB3,860,077,000).

In April 2002, the whole operations and the related assets and liabilities of Qinghai Haixing Aluminum Co., Ltd.,("Haixing"), a wholly owned subsidiary, were transferred to the Company's branch in Qinghai for the purpose of streamlining structure and strengthening control. The net assets which were transferred based on the book value amounted to approximately RMB156 million. Haixing was wound up by the end of April 2002.

The following is a list of the principal subsidiaries as of December 31, 2002:

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held	Principal Activities
Shandong Aluminum Industry Co., Ltd. (山東鋁業股份有限公司)	PRC	Joint stock company with limited liability listed on the Shanghai Stock Exchange	560,000,000 A shares of RMB1 each	71.4%	Manufacture and distribution of alumina and primary aluminum
Shandong Hengcheng Machinery Works (山東　成機械製造廠)	PRC	* (Note)	Paid up capital of RMB14,087,000	100%	Manufacture of mechanical equipment
Shanxi Longmen Aluminum Co., Ltd. (山西龍門鋁業有限公司)	PRC	Company with limited liability	Paid up capital of RMB40,000,000	55%	Manufacture and distribution of primary aluminum
Zibo Shengye Science Industrial Trading Co., Ltd. (淄博聖業科工貿有限公司)	PRC	Company with limited liability	Paid up capital of RMB2,134,000	100% (of which 43% is held indirectly)	Manufacture, installation and repair of testers
The Design Institute of Shandong Aluminum Corporation (山東鋁業公司設計院)	PRC	* (Note)	Paid up capital of RMB3,003,000	100%	Design of production process and provision of technical consulting services

19. Investments in subsidiaries *(continued)*

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held	Principal Activities
Zibo Wancheng Industrial Trading Co., Ltd. (淄博萬成工貿有限公司)	PRC	Company with limited liability	Paid up capital of RMB13,870,000	100%	Provision of repair 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	Paid up capital of RMB5,000,000	80%	Manufacture and distribution of ceramic products
Zibo Kaipeng HI-tech and Industrial Trading Co., Ltd. (淄博凱鵬高科技工貿有限公司)	PRC	Company with limited liability	Paid up capital of RMB922,000	100% (of which 32.5% is held indirectly)	Design of manufacturing automated systems
Hejing Hedong Carbon Plant (河津市河東碳素廠)	PRC	**(Note)	Paid up capital of RMB1,750,000	72.6%	Manufacture and distribution of electrode
China Aluminum International Trading Co., Ltd. (中鋁國際貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB100,000,000	100%	Import and export activities
Shandong Aluminum Electronic Technology Co., Ltd (山東鋁業電子枝術有限公司)	PRC	Company with limited liability	Paid up capital of RMB20,000,000	75%	Manufacture and distribution of electronic products
Research & Design Institute Great Wall Aluminum Corporation (長城設計院)	PRC	* (Note)	Paid up capital of RMB2,000,000	100%	Design of production process and provision of technical consulting services
China Aluminum Qinghai International Trading Corp., Ltd (中國青海國際貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB6,000,000	90% (held indirectly)	Import and export activities
Chalco Foshan Trading Co., Ltd (中鋁佛山貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB10,000,000	99% (held indirectly)	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	Paid up capital of RMB3,000,000	99.5% (held indirectly)	Trading of alumina and primary aluminum products

19. Investments in subsidiaries *(continued)*

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held	Principal Activities
China Alumimun International Shipping and Forwarding (Beijing) Corp., Ltd (中鋁國貿貨運有限公司)	PRC	Company with limited liability	Paid up capital of RMB6,000,000	98% (held indirectly)	Transportation services
Chalco Kelin Aluminum of Shanghai Co., Ltd (上海中鋁凱林鋁業有限公司)	PRC	Company with limited liability	Paid up capital of RMB3,000,000	99% (held indirectly)	Trading of alumina and primary aluminum products

*Note: As of December 31, 2002, the legal status of these subsidiaries were either "state-owned enterprise (marked with *) " or "collectively-owned enterprise (marked with **) ", respectively. The Company is in the process of rectifying the legal status of these subsidiaries which have been consolidated into the Group's financial statements as the Directors are of the view that these enterprises meet the criteria of being a subsidiary.*

The English name of the above subsidiaries are direct translations of their names in Chinese.

20. Interest/investment in a jointly controlled entity

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investment, at cost	**—**	—	**17,869**	17,869
Share of net assets	**17,695**	17,949	**—**	—
	17,695	17,949	**17,869**	17,869

The Company has a 50% interest in ownership, voting power and profit sharing in Shanxi JinXin Aluminum Co., Ltd, a joint venture incorporated and operated in the PRC which is engaged in the production of primary aluminum. The joint venture, which has paid up capital of RMB20,000,000 formed with an unrelated party, was established on April 8, 1996 for a period of 15 years.

21. Long-term investments

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investments, at cost	**900**	2,956	**—**	—
Unlisted held-to-maturity debt securities, at cost	**10,158**	—	**10,158**	—
	11,058	2,956	**10,158**	—

22. Inventories

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**878,784**	964,650	**692,102**	814,463
Work in progress	**1,284,858**	1,170,200	**1,137,010**	994,811
Finished goods	**532,706**	1,088,184	**375,436**	829,230
Production supplies	**560,388**	577,100	**523,395**	570,051
	3,256,736	3,800,134	**2,727,943**	3,208,555

As of December 31, 2002, inventories of the Group and of the Company with costs of RMB269,645,000 (2001: RMB254,911,000) and RMB153,914,000 (2001: RMB188,053,000), respectively, were stated at the net realizable value of approximately RMB245,707,000 (2001: RMB200,518,000) and RMB137,330,000 (2001: RMB143,345,000), respectively.

23. Accounts receivable, net

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables (Note (a))	**847,792**	1,431,031	**693,370**	1,258,148
Bills receivable (Note (b))	**1,068,056**	935,266	**835,668**	715,538
	1,915,848	2,366,297	**1,529,038**	1,973,686

(a) Trade receivables

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Gross trade receivables	**1,174,559**	1,856,747	**943,355**	1,598,067
Less: Provision for doubtful accounts	**(326,767)**	(425,716)	**(249,985)**	(339,919)
	847,792	1,431,031	**693,370**	1,258,148

The Group performs periodic credit evaluation on its customers and different credit policies are adopted for individual customers accordingly. Certain of the Group's sales were on advance payment or documents against payment and sales to small, new or short-term customers are normally expected to be settled shortly after delivery. A credit period, which may be extended for up to one year, may be granted, subject to negotiation, in respect of sales to large or long-established customers.

As of December 31, 2002, the aging analysis of trade receivables, net of provision made, was as follows:

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**284,834**	789,891	**202,770**	675,511
Between 2 and 6 months	**269,880**	541,680	**201,063**	499,119
Between 7 and 12 months	**115,900**	45,955	**114,377**	34,730
Between 1 and 2 years	**165,022**	39,002	**164,098**	35,330
Between 2 and 3 years	**12,156**	14,503	**11,062**	13,458
	847,792	1,431,031	**693,370**	1,258,148

(b) Bills receivable are bills of exchange with maturity dates of within six months.

24. Due from related parties

The amounts due from related parties can be analyzed as follows:

	Trade			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries	**32,939**	20,420	**21,624**	20,420
Subsidiaries	**—**	—	**78,918**	48,037
Other related parties	**120,439**	119,416	**120,439**	119,416
	153,378	139,836	**220,981**	187,873

	Others			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries	**301,791**	547,053	**294,125**	251,641
Subsidiaries	**—**	—	**150,702**	259,850
Jointly controlled entity	**16,267**	17,618	**16,267**	17,618
Other related parties	**1,193**	—	**1,193**	—
	319,251	564,671	**462,287**	529,109

	Total			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries	**334,730**	567,473	**315,749**	272,061
Subsidiaries	**—**	—	**229,620**	307,887
Jointly controlled entity	**16,267**	17,618	**16,267**	17,618
Other related parties	**121,632**	119,416	**121,632**	119,416
	472,629	704,507	**683,268**	716,982

24. Due from related parties *(continued)*

As of December 31, 2002, the aging analysis of amounts due from related parties, which are trading in nature, was as follows:

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**10,476**	13,409	**9,622**	13,092
Between 2 and 6 months	**12,277**	1,538	**6,417**	49,943
Between 7 and 12 months	**7,966**	121,970	**82,283**	121,919
Between 1 and 2 years	**122,659**	2,919	**122,659**	2,919
	153,378	139,836	**220,981**	187,873

Other receivables from the fellow subsidiaries, the jointly controlled entity and other related parties are unsecured, non-interest bearing and are repayable on demand.

25. Other current assets

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Purchase deposits to suppliers	**269,474**	174,934	**214,368**	122,486
Other deposits and prepayments	**161,554**	160,908	**95,610**	99,128
Value-added tax recoverable	**9,877**	20,893	**9,877**	20,893
Short-term listed investments, at fair value	**4,859**	2,376	**—**	292
Others (Note)	**124,744**	287,553	**71,191**	491,665
	570,508	646,664	**391,046**	734,464

Note: As of December 31, 2002, the balances of the Group and of the Company were stated net of provision for doubtful receivables of RMB148,542,000 (2001: RMB178,808,000) and RMB148,269,000 (2001: RMB178,114,000), respectively.

26. Bank balances and cash

Details of bank balances pledged are as follows:

	Assets pledged		Related liabilities	
	Nature	**Amount** *RMB'000*	**Nature**	**Amount** *RMB'000*
Group				
December 31, 2002	**Bank balances**	**42,924**	**Bills payable**	**91,524**
	Bank balances	**3,245**	**Letter of credit**	**3,245**
December 31, 2001	Bank balances	87,171	Bills payable	206,174
	Bank balances	60,000	Long-term bank loans	90,000
Company				
December 31, 2002	**Bank balances**	**42,924**	**Bills payable**	**91,524**
	Bank balances	**3,245**	**Letter of credit**	**3,245**
December 31, 2001	Bank balances	87,171	Bills payable	206,174
	Bank balances	60,000	Long-term bank loans	90,000

27. Accounts payable

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables (Note (a))	**1,348,816**	1,462,577	**1,151,250**	1,287,705
Bills payable (Note (b))	**622,693**	663,446	**472,683**	589,446
	1,971,509	2,126,023	**1,623,933**	1,877,151

(a) Trade payables

As of December 31, 2002, the aging analysis of trade payables was as follows:

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**768,637**	866,481	**657,517**	767,440
Between 2 and 6 months	**387,728**	245,544	**323,021**	206,651
Between 7 and 12 months	**74,221**	150,564	**61,132**	135,592
Between 1 and 2 years	**60,817**	71,126	**54,320**	51,197
Between 2 and 3 years	**3,420**	47,347	**3,302**	46,770
Over 3 years	**53,993**	81,515	**51,958**	80,055
	1,348,816	1,462,577	**1,151,250**	1,287,705

(b) Bills payable are repayable within six months.

28. Due to related parties

The amounts due to related parties can be analyzed as follows:

	Trade			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries	**86,292**	30,206	**69,747**	19,144
Subsidiaries	**—**	—	**11,655**	9,123
Other related parties	**18,812**	741	**18,812**	741
	105,104	30,947	**100,214**	29,008

	Others			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Holding company	**166,351**	309,860	**166,351**	309,860
Fellow subsidiaries	**477,635**	874,447	**464,901**	719,286
Subsidiaries	**—**	—	**13,125**	142,694
Other related parties	**11,979**	36,960	**11,979**	36,960
	655,965	1,221,267	**656,356**	1,208,800

	Total			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Holding company	**166,351**	309,860	**166,351**	309,860
Fellow subsidiaries	**563,927**	904,653	**534,648**	738,430
Subsidiaries	**—**	—	**24,780**	151,817
Other related parties	**30,791**	37,701	**30,791**	37,701
	761,069	1,252,214	**756,570**	1,237,808

28. Due to related parties *(continued)*

As of December 31, 2002, aging analysis of amounts due to related parties, which are trading in nature, was as follows:

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**47,142**	7,502	**50,114**	5,563
Between 2 and 6 months	**56,130**	23,445	**49,367**	23,445
Between 7 and 12 months	**1,273**	—	**721**	—
Over 1 year	**559**	—	**12**	—
	105,104	30,947	**100,214**	29,008

Other payables to holding company, fellow subsidiaries and other related parties are unsecured, non-interest bearing and are repayable on demand.

29. Other payables and accruals

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest payable	**155,470**	786,335	**155,470**	786,335
Sales deposits from customers	**380,891**	411,176	**261,498**	315,167
Accrued payroll	**378,027**	760,680	**287,196**	648,749
Staff welfare payable	**236,670**	246,298	**202,394**	225,915
Accrued construction costs	**828,067**	837,298	**731,551**	514,592
Taxes other than income taxes payable	**358,573**	417,973	**331,715**	401,086
Payable for purchase of minority interests (Note)	**—**	200,000	**—**	200,000
Accrued contributions to retirement schemes	**61,226**	63,312	**30,206**	44,932
Other accruals	**405,112**	380,903	**375,106**	579,706
	2,804,036	4,103,975	**2,375,136**	3,716,482

Note: Prior to the Reorganization, Chinalco acquired the remaining 25% equity interest in Qinghai Aluminum Co., Ltd. from the latter party's then minority shareholders. The consideration was pro rated for the core assets which were transferred to the Group upon the Reorganization. The amount represents balance of the consideration payable and which was transferred to the Group as part of the Reorganization.

30. Issued capital and reserves

(a) Share capital

	Company	
	2002	2001
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
10,499,900,153 (2001: 10,352,942,000) shares of RMB1.00 each	**10,499,900**	10,352,942

The initial registered capital of the Company was RMB8,000,000,000, consisting of 8,000,000,000 domestic shares of par value of RMB1.00 per share. These 8,000,000,000 shares were issued to promoters of the Company, namely Chinalco, Guangxi Development and Investment Co., Ltd. 廣西開發投資有限責任公司 ("Guangxi Development") and Guizhou Development.

In mid December 2001, the registered, issued and fully paid capital of the Company were all increased to RMB10,352,942,000 by the issuance of an additional 2,352,942,000 H shares of RMB1.00 each to the public. In addition, a total number of 235,294,000 domestic shares in issue owned as to 151,271,000 domestic shares by Chinalco and as to 84,023,000 domestic shares in total by the three minority shareholders were converted into H shares and sold to the public.

In January 2002, the registered, issued and fully paid capital of the Company were all further increased to RMB10,499,900,153 by the issuance of an additional 146,958,153 new H shares of RMB1.00 each to the public upon the exercise of the Over-allotment Option by the Joint Global Coordinators of the Global Offering ("Over-allotment"). The net proceeds to the Company from the Over-allotment amounted to approximately RMB205 million. As part of this exercise, a total number of 14,695,815 domestic shares in issue owned as to 9,447,940 domestic shares by Chinalco and as to 5,247,875 domestic shares in total by the three minority shareholders were converted into H shares and sold to the public. As of December 31, 2002, the total number of domestic shares and H shares were 7,750,010,185 shares and 2,749,889,968 shares, respectively.

30. Issued capital and reserves *(continued)*

(b) Reserves of the Company

For the year ended December 31, 2002

	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 (Note (b)(iv)) *RMB'000*	Total *RMB'000*
As of January 1, 2002	3,252,461	43,799	43,799	376,257	3,716,316
Issue of shares	68,212	—	—	—	68,212
Share issue expenses	(10,415)	—	—	—	(10,415)
Profit for the year	—	—	—	1,358,213	1,358,213
Transfer to	—	—	—	—	—
— statutory surplus reserve	—	136,329	—	(136,329)	—
— statutory public welfare fund	—	—	136,329	(136,329)	—
Dividend paid	—	—	—	(178,498)	(178,498)
As of December 31, 2002	3,310,258	180,128	180,128	1,283,314	4,953,828
Representing:					
2002 final dividend proposed				472,496	
Others				810,818	
Retained earnings as of December 31, 2002				1,283,314	

30. Issued capital and reserves *(continued)*

(b) Reserves of the Company *(continued)*

For the period from September 30, 2001 to December 31, 2001

	Capital reserve (Note (b)(i))	Statutory surplus reserve (Note (b)(ii))	Statutory public welfare fund (Note (b)(iii))	Retained earnings (Note (b)(iv))	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capitalization upon incorporation of the Company	2,403,804	—	—	—	2,403,804
Issue of new shares at a premium (Note (a))	1,088,732	—	—	—	1,088,732
Share issue expenses	(343,075)	—	—	—	(343,075)
Profit for the period from the effective date of Reorganization to December 31, 2001 (Note 1)	—	—	—	566,855	566,855
Transfer to					
— capital reserve	103,000	—	—	(103,000)	—
— statutory surplus reserve	—	43,799	—	(43,799)	—
— statutory public welfare fund	—	—	43,799	(43,799)	—
As of December 31, 2001	3,252,461	43,799	43,799	376,257	3,716,316
Representing:					
2001 final dividend proposed				178,498	
Others				197,759	
Retained earnings as of December 31, 2001				376,257	

30. Issued capital and reserves *(continued)*

(b) Reserves of the Company *(continued)*

(i) Capital reserve

	2002 **RMB'000**	2001 RMB'000
Capital reserve represents:		
Premium on issue of shares upon Reorganization	**2,403,804**	2,403,804
Premium on subsequent issue of shares to the public	**803,454**	745,657
Gain on waiver of interest (Note 7(a))	**103,000**	103,000
	3,310,258	3,252,461

Capital reserve can only be used to increase share capital.

(ii) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the 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. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

(iii) Statutory public welfare fund

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer between 5% to 10% of the 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 the 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. The Company decided to make a 10% transfer as statutory public welfare fund for the year ended December 31, 2002 (Period from September 10, 2001 to December 31, 2001: 10%).

30. Issued capital and reserves *(continued)*

(b) Reserves of the Company *(continued)*

(iv) Retained earnings (accumulated losses)

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Company and subsidiaries	**1,326,271**	393,383	**1,283,314**	376,257
A jointly controlled entity	**(1,437)**	(1,183)	**—**	—
	1,324,834	392,200	**1,283,314**	376,257

31. Long-term loans

Long-term loans include bank loans and other loans which are analyzed as follows:

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Loans				
Unsecured	**6,003,282**	6,125,346	**5,803,282**	5,915,346
Secured	**—**	590,757	**—**	590,757
	6,003,282	6,716,103	**5,803,282**	6,506,103
Current portion of long-term loans	**(1,053,984)**	(1,324,242)	**(1,003,984)**	(1,324,242)
	4,949,298	5,391,861	**4,799,298**	5,181,861

31. Long-term loans *(continued)*

The repayment terms of the loans are analyzed as follows:

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
Wholly repayable within five years	**1,634,400**	2,985,891	**1,434,400**	2,775,891
Not wholly repayable within five years	**3,800,609**	2,066,107	**3,800,609**	2,066,107
	5,435,009	5,051,998	**5,235,009**	4,841,998
Other loans				
Wholly repayable within five years	**273,158**	1,644,105	**273,158**	1,644,105
Not wholly repayable within five years	**295,115**	20,000	**295,115**	20,000
	568,273	1,664,105	**568,273**	1,664,105
	6,003,282	6,716,103	**5,803,282**	6,506,103

As of December 31, 2002, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**841,131**	691,707	**791,131**	691,707
In the second year	**889,399**	787,976	**849,399**	737,976
In the third to fifth year	**2,761,494**	2,763,427	**2,651,494**	2,603,427
After the fifth year	**942,985**	808,888	**942,985**	808,888
	5,435,009	5,051,998	**5,235,009**	4,841,998

31. Long-term loans *(continued)*

	Other loans			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**212,853**	632,535	**212,853**	632,535
In the second year	**105,420**	447,550	**105,420**	447,550
In the third to fifth year	**250,000**	564,020	**250,000**	564,020
After the fifth year	**—**	20,000	**—**	20,000
	568,273	1,664,105	**568,273**	1,664,105

	Total			
	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,053,984**	1,324,242	**1,003,984**	1,324,242
In the second year	**994,819**	1,235,526	**954,819**	1,185,526
In the third to fifth year	**3,011,494**	3,327,447	**2,901,494**	3,167,447
After the fifth year	**942,985**	828,888	**942,985**	828,888
	6,003,282	6,716,103	**5,803,282**	6,506,103

As of December 31,2002, all of the Group's bank loans were unsecured.

As of December 31, 2001, the Group's bank loans of RMB1,124,878,000 were secured by the following:

(i) Certain property, plant and equipment of the Group (Note 18); and

(ii) Bank deposits of RMB60,000,000 of the Group (Note 26).

As of December 31, 2002, bank loans of the Group and of the Company of RMB4,300,949,000 (2001: RMB2,750,110,000) and RMB4,150,949,000 (2001: RMB2,580,110,000), respectively, were guaranteed by Chinalco.

Banking facilities

As of December 31, 2002, the Group had total banking facilities of approximately RMB18,043 million, (2001:RMB11,533 million), inclusive of long-term facilities of approximately RMB9,111 million (2001:RMB6,716 million) and other loan facilities of approximately RMB8,931 million (2001: RMB4,817 million). Out of the total banking facilities granted, amounts totalling RMB10,813 million have been utilized as of December 31, 2002 (2001: RMB11,533 million). Banking facilities of approximately RMB14,433 million require renewal during 2003. The Directors of the Company are confident that such banking facilities can be renewed upon expiry.

31. Long-term loans *(continued)*

Banking facilities *(continued)*

The characteristics of long-term loans as of December 31, 2002 can be analyzed as follows:

Loan	Interest rate and final maturity	**2002 RMB'000**	2001 *RMB'000*
Bank loans:			
Renminbi-denominated loans:			
Bank loans for development of production facilities	Variable interest rates ranging from 5% to 6% per annum as of December 31, 2002 with maturities through to 2009 (2001: interest-free to 7.2% per annum with maturities through 2009)	**2,067,600**	2,637,178
Bank loans for working capital	Majority variable interest rates ranging from 4.8% to 7.6% per annum as of December 31, 2002 with maturities through to 2007 (2001: 5.9% to 11.2% per annum with maturities through 2009)	**3,182,071**	2,209,960
U.S. Dollar-denominated loans:			
Bank loans for development of production facilities	Variable interest rates ranging from interest-free to LIBOR+1.5% per annum as of December 31, 2001 with maturities through 2002	**—**	9,532
Euro-denominated loans:			
Bank loans for development of production facilities	Fixed interest rates ranging from 2.3% to 9.4% per annum as of December 31, 2002 with maturities through to 2021	**172,911**	—
French Franc-denominated loans:			
Bank loans for development of production facilities	Fixed interest rates at 2.8% to 9.4% per annum as of December 31, 2001 with maturities through to 2021	**—**	178,378
Netherlands Guilder-denominated loans:			
Bank loans for development of production facilities	Fixed interest rate at 2.8% per annum as of December 31,2001 with maturities through to 2003	**—**	3,382
Danish Krone-denominated loans:			
Bank loans for development of production facilities	Fixed interest rates ranging from 0.3% to 9.2% per annum as of December 31, 2002 with maturities through to 2015 (2001: interest-free to 9.2% per annum with maturities through to 2015)	**12,427**	13,568
		5,435,009	5,051,998
Other loans:			
Renminbi-denominated loans:			
Bank loans for working capital	Variable interest rates ranging from interest-free to 6.2% per annum as of December 31, 2002 with maturities through 2006 (2001: interest-free to 6.5% per annum with maturities through 2006)	**568,273**	1,664,105

32. Notes to the consolidated/pro forma combined cash flow statements

Consolidated cash flow statement

(a) Analysis of changes in financing during the year/period

	Issued capital and reserves		Minority interests		Loans	
	2002	2001	**2002**	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As of January 1, 2002 or September 10, 2001	**14,096,085**	—	**429,880**	—	**10,869,410**	—
Acquisition pursuant to the Reorganization	**—**	10,403,804	**—**	411,919	**—**	10,938,312
Issue of shares	**215,170**	3,441,674	**—**	—	**—**	—
Share issue expenses	**(10,415)**	(343,075)	**—**	—	**—**	—
Profit for the year/period	**1,401,605**	593,682	**—**	—	**—**	—
Injection of capital by minority shareholders	**—**	—	**600**	—	**—**	—
Minority interests in share of profits	**—**	—	**46,822**	17,961	**—**	—
Net cash outflows from financing related to loans	**—**	—	**—**	—	**(956,879)**	(68,902)
Interest payable transfer to bank loan	**—**	—	**—**	—	**140,041**	—
Dividend paid to minority shareholders	**—**	—	**(39,493)**	—	**—**	—
Dividend paid	**(178,498)**	—	**—**	—	**—**	—
As of December 31, 2002	**15,523,947**	14,096,085	**437,809**	429,880	**10,052,572**	10,869,410

32. Notes to the consolidated/pro forma combined cash flow statements *(continued)*

Consolidated cash flow statement *(continued)*

(b) Purchase of a subsidiary

There were no purchases of subsidiaries for the year ended December 31, 2002.

The effects of the purchase of a subsidiary during the period from September 10, 2001 (date of incorporation) to December 31, 2001 on cash flow of the Group are as follows:

	RMB'000
Net assets acquired	
Fixed assets	291,218
Inventories	832
Other receivables	13,560
Bank balances and cash	2,038
Other payables	(63,248)
Short-term loan	(65,000)
	179,400
Satisfied by	
Cash	179,400

The subsidiary acquired did not contribute to the Group's net operating cash flows, did not make payment in respect of the net returns on investments, servicing of finance and taxation and paid RMB819,134 for investing activities.

Analysis of the net outflow in respect of the purchase of a subsidiary:

	RMB'000
Cash consideration	(179,400)
Bank balances and cash in hand acquired	2,038
Net cash outflow in respect of the purchase of a subsidiary	(177,362)

32. Notes to the consolidated/pro forma combined cash flow statements *(continued)*

Pro forma combined cash flow statement

(a) Analysis of changes in financing during the year ended December 31, 2001:

	Owner's equity/ issued capital and reserves *RMB'000*	**Minority interests** *RMB'000*	**Loans** *RMB'000*
At January 1, 2001	5,026,099	393,724	10,061,797
Effect of the Reorganization (Note)	4,127,132	52,436	—
Profit for the year	1,588,077	—	—
Minority interests in share of profits	—	63,713	—
Profit distribution	(4,722)	—	—
Net cash inflows from financing related to loans	—	—	807,613
Contributions from, net of distributions to, owner	260,900	—	—
Conversion of debts into equity	—	—	—
Dividends paid to minority shareholders	—	(79,993)	—
Issue of shares	3,441,674	—	—
Share issue expenses	(343,075)	—	—
As December 31, 2001	14,096,085	429,880	10,869,410

Note: The effect of the Reorganization comprised the net impact of (i) the restatement of property, plant and equipment from their respective carrying value to cost to the Group pursuant to the Reorganization, (ii) distribution of the Excluded Cash and (iii) net liabilities of the Excluded Business.

32. Notes to the consolidated/pro forma combined cash flow statements *(continued)*

Pro forma combined cash flow statement *(continued)*

(b) Purchase of a subsidiary

The effects of the purchase of a subsidiary during the year ended December 31, 2001 on cash flow of the Group are as follows:

	RMB'000
Net assets acquired	
Fixed assets	291,218
Inventories	832
Other receivables	13,560
Bank balances and cash	2,038
Other payables	(63,248)
Short-term loan	(65,000)
	179,400
Satisfied by	
Cash	179,400

The subsidiary acquired did not contribute to the Group's net operating cash flows, did not make payment in respect of the net returns on investments, servicing of finance and taxation and paid RMB 819,134 for investing activities.

Analysis of the net outflow in respect of the purchase of a subsidiary:

	RMB'000
Cash consideration	(179,400)
Bank balances and cash in hand acquired	2,038
Net cash outflow in respect of the purchase of a subsidiary	(177,362)

33. Litigation and contingent liabilities

(a) Litigation

(i) As of December 31, 2002, the Group has no significant pending litigation.

(ii) In July 2002, a service provider of the Company sued the Company in Hong Kong for recovery of service fee for document processing, printing and translation services provided in respect of the prospectus during the listing process of the Company. The lawsuit was subsequently settled out of court in January 2003 when an agreement was reached by both parties to settle the outstanding service fee. Adequate provision has been made for the agreed settlement amount in the financial statements.

(b) Compensation with regard to the formation of an equity joint venture

Pursuant to a memorandum of understanding dated November 12, 2001 (the "MOU") signed between the Company and Alcoa International (Asia) Limited ("Alcoa"), the two parties have agreed to form a 50/50 equity joint venture which will own and operate the alumina and primary aluminum production facilities owned by a branch of the Company in Pingguo, Guangxi (the "Pingguo JV"). Pursuant to the Subscription Agreement pertaining to which Alcoa acquired shares in the Company, if the final joint venture agreement of the Pingguo JV is not executed within eight months of the closing of the Company's global offering or if all necessary relevant PRC government approvals for the Pingguo JV are not obtained within 12 months of the closing of the Company's global offering, due to the failure of a party to abide by its expressions of intent in the MOU, then that party would be obliged to pay US$7.5 million (equivalent to RMB62.1 million) to the other party as compensation.

Although the final joint venture agreement was not executed within eight months of the closing of the Company's global offering, the Company continues to work actively and closely with Alcoa to conclude the joint venture agreement consistently with its expressed intentions in the MOU.

On December 17, 2002 a joint announcement was made by the Company and Alcoa regarding the revised timetable in formalizing the Pingguo JV. According to this joint announcement, both parties are satisfied with the progress of preparations made during 2002 and expect to finalize the necessary arrangements and obtain government approvals by the second half of 2003. The Company has not made a claim against Alcoa nor, according to the Directors, has Alcoa asserted a claim against the Company for compensatory payment.

34. Commitments

(a) Capital commitments for property, plant and equipment

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted but not provided for	**2,449,333**	3,241,135	**2,227,916**	3,241,135
Authorized but not contracted for	**5,477,890**	2,427,418	**4,954,960**	2,427,418
	7,927,223	5,668,553	**7,182,876**	5,668,553

(b) Commitments under operating leases

As of December 31, 2002, the Group and the Company had future aggregate minimum lease payments in relation to land and buildings under non-cancellable operating leases as follows:

	Group		Company	
	2002	2001	**2002**	2001
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Not later than one year	**141,995**	141,968	**141,995**	141,968
Later than one year and not later than five years	**567,980**	567,873	**567,980**	567,873
Later than five years	**5,946,215**	6,087,845	**5,946,215**	6,087,845
	6,656,190	6,797,686	**6,656,190**	6,797,686

35. Related party transactions

Related parties refer to entities in which Chinalco has the ability, directly or indirectly, to 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. Given that the PRC government still owns a significant portion of the productive assets in the PRC despite the continuous reform of the government structure, the majority of the Group's business activities had been conducted with enterprises directly or indirectly owned or controlled by the PRC government ("state-owned enterprises"), including Chinalco, in the ordinary course of business. The management of the Company are of the view that the Group is not to disclose transactions with state-owned enterprises whose relationships with the Group were merely by virtue of common control or significant influence by the PRC government as related party transactions.

35. Related party transactions *(continued)*

Saved as disclosed in Note 1(a) in respect of the transactions with respect to the Reorganization and elsewhere in the financial statements and the pro forma financial information. Significant related party transactions which were carried out in the normal course of the Group's business are as follows:

	Note	**Consolidated year ended December 31, 2002** ***RMB'000***	Consolidated period from September 10, 2001 (date of incorporation) to December 31, 2001 *RMB'000*	Pro forma combined year ended December 31, 2001 *RMB'000*
Sales of materials and finished goods to:	(a)			
Holding company and fellow subsidiaries		**479,408**	66,744	333,211
Jointly controlled entity		**21,496**	6,851	20,078
Other related parties		**191,677**	84,603	250,281
		692,581	158,198	603,570
Provision of utility services to the holding company	(b)	**195,519**	50,034	167,034
Provision of engineering, construction and supervisory services by the holding company and fellow subsidiaries	(c)	**665,337**	219,703	519,634
Purchases of key and auxiliary materials from:	(d)			
Holding company and fellow subsidiaries		**212,654**	60,025	255,450
Other related parties		**151,747**	33,471	126,100
		364,401	93,496	381,550
Provision of social services and logistics services by the holding company	(e)	**541,731**	141,231	472,555
Land and building rental charged by the holding company	(f)	**141,995**	43,635	71,559
Building rental charged to the holding company	(g)	**2,584**	805	1,311
Interest expenses in relation to loans from related parties		**—**	—	1,554
Net temporary advances to related parties		—	—	72,663

35. Related party transactions *(continued)*

(a) Materials and finished goods sold to Chinalco, fellow subsidiaries and other related companies (including an associated company of a promoter, namely Guangxi Aluminum Development and Investment Stock Co., Ltd. ("Guangxi Associate"), during all the periods mainly comprised sales of alumina, primary aluminum and scrap materials. Transactions entered into prior to the Reorganization were conducted in the normal course of business at normal commercial terms. Transactions entered into after the Reorganization are covered by the following agreements:

(i) General agreement on Mutual Provision of Production Supplies and Ancillary Services entered into between the Company and Chinalco. The pricing policy is summarized below:

— Adoption of the price prescribed by the PRC government ("State-prescribed price");

— If there is no State-prescribed price then adoption of State-guidance price;

— 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

— 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) Aluminum Ingots and Alumina Supply Agreement entered into between the Company and Guangxi Associate and, under which the Company supply aluminum ingots and alumina products to Guangxi Associate for a three-year period commencing from July 1, 2001. The prevailing market price is adopted for pricing purposes.

(b) Utility services, including electricity, gas, heat and water, were supplied to Chinalco at cost prior to the Reorganization. Cost of the Company was based on the government fixed price where applicable. Subsequent to the Reorganization, these are supplied at the pricing policy as set out in (a)(i) above.

(c) Engineering, project construction and supervisory services were provided by Chinalco and other related parties to the Company mainly for construction projects during all the periods. Prior to the Reorganization, these services were provided at prevailing market prices and on commercial terms no more favourable than terms available to third parties. Subsequent to the Reorganization, provision of these services are covered by the Provision of Engineering, Construction and Supervisory Services Agreement. The State-guidance price or prevailing market price (including tender price where by way of tender) is adopted for pricing purposes.

(d) Prior to the Reorganization, key and auxiliary materials (including bauxite, limestone, carbon, cement, coal) were purchased from Chinalco, fellow subsidiaries and other related companies at normal commercial terms. Subsequent to the Reorganization, these purchases are covered by the General Agreement on Mutual Provision of Production Supplies and Ancillary Services and Mineral Supply Agreement.

35. Related party transactions *(continued)*

(e) Social services and logistics services were provided by Chinalco 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. Prior to the Reorganization, these services were provided at cost. Subsequent to the Reorganization, provision of these services are covered by the Comprehensive Social and Logistics Services Agreement entered into between the Company and Chinalco. The pricing policy is the same as that adopted in the General Agreement on Mutual Provision of Production Supplies and Ancillary Services Agreement.

(f) Prior to the Reorganization, land had been occupied and used by the Company without incurring charge payable to Chinalco. Subsequent to the Reorganization, rental fee is payable to Chinalco for the rental of land, inclusive of both for industrial or for commercial purposes, occupied and used by the Company during the period at prevailing market lease rates as covered by the Land Use Rights Leasing Agreement entered into between the Company and Chinalco. The annual rent payable is approximately RMB134 million.

(g) According to the Building Leasing Agreement entered into between the Company and Chinalco, the Company is entitled to receive rental fee for buildings and properties transferred to the Group but occupied by Chinalco while the Group is required to pay rental fee for the use of buildings and properties which are retained by Chinalco.

As of December 31, 2002, there existed the following arrangements between the Group and Chinalco, fellow subsidiaries and other related parties:

(i) Prior to the Reorganization, guarantees were granted by Chinalco to banks for the loans borrowed by the Group. Subsequent to the Reorganization, these guarantees are covered by the Guarantee of Debts Contract entered into between the Company and Chinalco.

Besides, prior to the Reorganization, guarantees were granted by the Group to banks and other enterprises for the loans borrowed by fellow subsidiaries and other related parties. Subsequent to the Reorganization, these guarantees are retained by Chinalco.

(ii) Prior to the Reorganization, the right to use trademarks were provided to Chinalco free of charge. Subsequent to the Reorganization, the Company granted to Chinalco a non-exclusive right to use two trademarks for a period of ten years at no cost pursuant to the Trademark Licence 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.

36. Ultimate holding company

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

37. Approval of financial statements

The financial statements were approved by the Board of Directors on April 14, 2003.