SUPPLEMENTARY INFORMATION

The pro forma combined financial statements for the year ended December 31, 2001 and the consolidated financial statements for the year ended December 31, 2002 have been prepared in accordance with accounting policies which conform with HK GAAP which may differ in various material respects from accounting principles generally accepted in the United States ("U.S. GAAP"). Such differences involve methods for measuring the amounts shown in these financial statements, as well as additional disclosures required by U.S. GAAP.

Effect on net income of significant differences between HK GAAP and U.S. GAAP is as follows:

		Year ended December 31,		
	Note	Pro forma combined 2001 *RMB'000*	**Consolidated 2002** ***RMB'000***	**Consolidated 2002** ***US$'000***
Net income under HK GAAP		1,588,077	**1,401,605**	**169,275**
U.S. GAAP adjustments:				
Capitalization of finance costs	(a)	94,949	**42,790**	**5,168**
Depreciation of capitalized finance costs	(a)	(25,517)	**(3,293)**	**(398)**
Depreciation of revalued fixed assets	(b)	134,300	**268,600**	**32,440**
Amortization of goodwill	(c)	—	**24,648**	**2,977**
Amortization of mining rights	(d)	4,755	**9,307**	**1,124**
Income tax effect of U.S. GAAP adjustments	(e)	(68,801)	**(63,780)**	**(7,703)**
Net income under U.S. GAAP		1,727,763	**1,679,877**	**202,883**
Income under U.S. GAAP before extraordinary gain on settlement of loan and interest payables		1,624,585	**1,679,877**	**202,883**
Extraordinary gain on settlement of loan and interest payables	(f)	103,178	**—**	**—**
Net income under U.S. GAAP		1,727,763	**1,679,877**	**202,883**
Basic and diluted net income per share under U.S. GAAP		RMB0.22	**RMB0.16**	**US$0.02**

Effect on owner's equity of significant differences between HK GAAP and U.S. GAAP is as follows:

		As of December 31,		
	Note	Consolidated 2001 *RMB'000*	**Consolidated 2002** ***RMB'000***	**Consolidated 2002** ***US$'000***
Owner's equity under HK GAAP		14,096,085	**15,523,947**	**1,874,873**
U.S. GAAP adjustments:				
Capitalization of finance costs	(a)	362,320	**405,110**	**48,926**
Depreciation on capitalized finance costs	(a)	(76,736)	**(80,029)**	**(9,665)**
Revaluation of fixed assets	(b)	(3,652,990)	**(3,384,390)**	**(408,743)**
Amortization of goodwill	(c)	—	**24,648**	**2,977**
Revaluation of mining rights	(d)	(280,342)	**(271,035)**	**(32,734)**
Income tax effect of U.S. GAAP adjustments	(e)	(140,131)	**(203,911)**	**(24,627)**
Owner's equity under U.S. GAAP		10,308,206	**12,014,340**	**1,451,007**

In preparing the summary of differences between HK GAAP and U.S. GAAP, the Directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates of revenue and expenses. Accounting estimates have been employed in these financial statements to determine reported amounts, including realizability, useful lives of tangible assets and income taxes. Actual results could differ from those estimates.

(a) Capitalization of finance costs

Under HK GAAP, finance costs are capitalized to the extent that such costs are directly attributable to the construction of a qualifying asset. Under U.S. GAAP, finance costs capitalized are limited to the lower of actual finance costs incurred or avoidable finance costs. Avoidable finance cost is the amount that could have been avoided if expenditure for the qualifying assets had not been made, when qualifying expenditures have occurred and activities necessary to prepare the asset have begun.

The periodic depreciation expense under HK GAAP and U.S. GAAP differs as a result of the difference in the amount of interest capitalized under the two accounting standards.

(b) Depreciation of revalued fixed assets

Under HK GAAP, fixed assets transferred from Chinalco to the Group as part of the Reorganization were accounted for under the acquisition accounting method at July 1, 2001, the date of the Reorganization. As a result, the Group's fixed assets were revalued at fair value under HK GAAP. The fixed assets were appraised by China United Assets Appraisal Co Ltd. and Chesterton Petty Limited as of December 31, 2000 and as of June 30, 2001, respectively. Under U.S. GAAP, the new cost basis for the fixed assets was not established for the Group as the transfer was a transaction under common control. When an asset is transferred from the parent to its wholly-owned subsidiary, the subsidiary records the asset at the parent's carrying value.

(c) Amortization of goodwill

Under HK GAAP, goodwill resulting from acquisitions under purchase accounting is recognized as an asset and amortized on a straight-line basis over its estimated useful economic life over not more than 20 years. Under US GAAP, annual amortization of this amount ceased effective January 1, 2002. Goodwill is subjected to annual impairment testing and is written down if carrying value exceeds fair value.

(d) Revaluation of mining rights

As part of the Reorganization and pursuant to the Mining Rights Transfer Agreement, the Group acquired mining rights of eight bauxite mines and four limestone quarries from Chinalco for a consideration of RMB285,341,000. Under HK GAAP, mining rights acquired are capitalized and stated at acquisition cost less accumulated impairment losses. Amortization of mining rights is calculated on a straight-line basis over their estimated useful lives of no more than 30 years. Under U.S. GAAP, the new cost basis was not established for the Group as the transfer was a transaction under common control.

(e) Income tax effect of U.S. GAAP adjustments

Under U.S. GAAP, a deferred tax liability relating to the addition of the interest capitalization effect and deferred tax assets relating to the reversal of the fixed assets revaluation, goodwill amortization and mining rights are recognized.

(f) Extraordinary gain on settlement of loan and interest payables

As described in Note 7(a) to the financial statements, the Group recorded a gain on the settlement by Shanxi Aluminum Plant of the outstanding interest payable with State Development Bank of China. Shanxi Aluminum Plant had already paid tax previously regarding this interest waiver and therefore created a deferred tax asset. However, upon the Reorganization, the Group did not recognize the related deferred tax asset for book purposes because of the uncertainty of carrying forward deferred tax benefits from Chinalco.

Under HK GAAP, such gains are classified as items of operating income. Under U.S. GAAP, such gains would be classified as extraordinary items. The per share effects relating to the settlement are as follows:

	Year ended December 31,		
	2001	**2002**	**2002**
Basic and diluted net income per share under U.S. GAAP:			
Income before extraordinary gain on settlement of loan and interest payables	RMB0.21	**RMB0.16**	**US$0.02**
Extraordinary gain on settlement of loan and interest payables	RMB0.01	**Nil**	**Nil**

See Note (j) for recent US accounting pronouncement relating to reclassification of gains and losses from extinguishment of debt.

(g) Jointly owned assets

As described in Note 2(b)(ii) to the financial statements, prior to the Reorganization, under HK GAAP, the Group records its proportionate share of the jointly owned assets and liabilities at Guizhou Aluminum Complex. Under U.S. GAAP, the Group would record the entire amount of revenue and expenses arising from operations of such jointly owned assets. Therefore, compared to the amounts under HK GAAP for the year ended December 31, 2001, the corresponding amounts are higher under U.S. GAAP for sales of goods by RMB227,732,000, for cost of goods sold by RMB212,732,000, for general and administrative expenses by RMB15,000,000, and for depreciation by RMB15,000,0000.

(h) Financial instruments

Under U.S. GAAP, it is required to discuss the various market risks that the Group is exposed to as well as disclose the fair values of its financial instruments. The Group is exposed to the following types of market risk:

(i) Credit risk

The carrying amount of accounts receivable included in the balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group performs periodic credit evaluations of its customers and believes that adequate provision for uncollectable accounts receivable has been made in the financial statements.

None of the Group's major customers exceed 10% of total revenue and do not individually present a material risk to the Group's sales.

The Group maintains substantially all of its cash and cash equivalents in interest bearing accounts in several major financial institutions in the PRC. No other financial assets carry a significant exposure to credit risk.

The Group uses the majority of its futures contracts traded on the Shanghai Futures Exchange to hedge its sales and do not hold other derivatives instruement. The futures contracts are marked to market at balance sheet date and corresponding unrealized holding gains are recorded in income for the period. The unrealized holding gains for the years ended December 31, 2001 and 2002 were RMB500,000 and RMB13,180,000 respectively.

(ii) Interest rate risk

The Group is exposed to changes in interest rates due to its long-term debt obligations which are disclosed in Note 31 to the financial statements. The Group enters into debt obligations to support general corporate purposes including capital expenditures and working capital needs. The Group does not currently use any derivative instruments to modify the nature of its debt so as to manage its interest rate risk.

(h) Financial instruments *(continued)*

(iii) Foreign currency risk

The Group has assets and liabilities that are subject to fluctuations in foreign currency exchange rates. However, the Group does not use any derivative instruments to reduce its economic exposure to changes in exchange rates. As of December 31, 2001 and 2002, the Group had the following foreign currency denominated short-term deposits:

Short-term deposits	As of December 31, 2001 RMB'000	**2002 RMB'000**
U.S. Dollar denominated deposits	3,952	**609,855**
Hong Kong Dollar denominated deposits	—	**62,066**
Euro denominated deposits	4	**2,693**

The Group also had the foreign currency denominated accounts receivable as of December 31, 2001 and 2002:

Accounts receivables	As of December 31, 2001 RMB'000	**2002 RMB'000**
U.S. Dollar denominated accounts receivable	34,123	**4,115**
Euro denominated accounts receivable	42,253	**—**
Netherlands Guilder denominated accounts receivable	2,879	**—**

The Group had foreign currency denominated bank loans as of December 31, 2001 and 2002, details of which are disclosed in Note 31 to the financial statements.

(iv) Commodity price risk

As the Group sells primary aluminum at market prices, it is exposed to fluctuations in these prices. The Group uses a limited number of futures contracts to reduce its exposure to fluctuations in the price of primary aluminum.

(h) Financial instruments *(continued)*

(v) Fair values

The carrying amounts of the Group's financial assets including cash and cash equivalents, time deposits, investments, trade accounts receivable, bills receivable, amounts due from related parties and other receivables and financial liabilities including trade accounts payable, bills payable, short-term debts, due to related parties and other payables, approximate their fair values due to their short maturities. Accordingly, such financial instruments are not included in the following table that provides information about the carrying amounts and estimated fair values of other financial instruments, both on and off the balance sheets:

	As of December 31, 2001		**As of December 31, 2002**	
	Carrying value RMB'000	Estimated fair value RMB'000	**Carrying value RMB'000**	**Estimated fair value RMB'000**
Long-term loans:				
Bank loans	5,051,998	5,019,376	**5,154,208**	**5,134,018**
Other loans	1,664,105	1,664,105	**709,033**	**709,033**

The fair values of long-term loans are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest offered to the Group for debt with substantially the same characteristics and maturities. Such discount rates ranged from 4.0% to 7.0% and 4.0% to 7.6% as of December 31, 2001 and 2002, respectively, depending on the type of the debt.

	As of December 31, 2001			**As of December 31, 2002**		
	Contract value RMB'000	Market value RMB'000	Fair value RMB'000	**Contract value RMB'000**	**Market value RMB'000**	**Fair value RMB'000**
Futures contracts	36,590	36,090	500	**467,691**	**454,511**	**13,180**

The fair values of futures contracts are based on quoted market prices. As of December 31, 2001 and 2002, the Group held futures contracts covering 2,120 tonnes and 33,320 tonnes of aluminum maturing in the first 3 months of 2002 and in the 7 months of 2003, respectively. Market prices of these aluminum futures contracts outstanding at December 31, 2001 and 2002 ranged from RMB12,900 to RMB13,900 per tonne and from RMB13,600 to RMB13,800 per tonne, respectively.

As of December 31, 2001, the Group also held futures contracts covering 565 tonnes of copper maturing in May of 2002. Market prices of these copper futures contracts outstanding as of December 31, 2001 ranged from RMB14,500 to RMB15,400 per tonne. As of December 31, 2002, no futures contract of copper was held by the Group.

Investments in unlisted equity securities are unquoted equity interests and there are no quoted market prices for such investments in the PRC. Accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs.

(i) Related party transactions

Chinalco is owned by the PRC government which also owns a significant portion of the productive assets in the PRC. Therefore, the majority of the Group's business activities had been conducted with enterprises directly or indirectly owned or controlled by the PRC government. For HK GAAP, the Group has disclosed in Note 35 to the financial statements transactions and balances with its immediate parent, Chinalco, and related companies. For U.S. GAAP purposes, the Group believes that it has provided meaningful disclosures of related party transactions through the major customer disclosures in (h)(i) and the transactions with its immediate parent disclosed in Note 35 to the financial statements. Although the majority of the Group's activities are with PRC government authorities and affiliates and other PRC controlled enterprises, none individually constitutes a major customer or supplier other than those disclosed.

(j) Recent U.S. accounting pronouncements

In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("FAS 143"). FAS 143 requires the recognition of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its present value and the related capitalized charge is depreciated over the useful life of the asset. FAS 143 is required to be adopted by the Group beginning on January 1, 2003. Management is currently accessing the impact that the new standard will have on the Group's financial position and results of the operation. Impact is not expected to be material.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" ("FAS 145"). This standard will require gains and losses from extinguishment of debt to be classified as extraordinary items only if they meet the criteria of unusual and infrequently occurring events and transactions in Opinion 30, "Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Any gain or loss on extinguishment will be recorded in the most appropriate line item to which it relates within net income before extraordinary items. FAS 145 is effective for fiscal years beginning after May 15, 2002; however, certain sections are effective for transactions occurring after May 15, 2002. Management is currently accessing the impact that the new standard will have on the Group's financial position and results of the operation. It is expected that gains on settlement of loan and interest payables of RMB103,178,000 for the year ended December 31, 2001 would be reclassified from extraordinary items to operating income.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". This standard is effective for exit or disposal activities initiated after December 31, 2002. Management is currently accessing the impact that the new standard will have on the Group's financial position and results of the operation. Impact is not expected to be material.

(j) Recent U.S. accounting pronouncements *(continued)*

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure". This standard amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), to provide alternative methods of transition for an entity that voluntarily changes to a fair value based method of accounting for stock-based employee compensation, and amends disclosure provisions of FAS 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to such compensation. Management is currently assessing the details of the standard and is preparing a plan of implementation. Impact is not expected to be material.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires a guarantor to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements are effective for financial statements that end after December 15, 2002. The initial recognition and measurement provisions of FIN 45 apply to guarantees issued or modified after December 31, 2002. Management is currently accessing the impact that the new standard will have on the Group's financial position and results of the operation. Impact is not expected to be material.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). The objective of FIN 46 is to improve financial reporting by companies involved with variable interest entities. A variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights, or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Historically, entities generally were not consolidated unless the entity was controlled through voting interests. FIN 46 changes that by requiring a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns, or both. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements of FIN 46 apply to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Also, certain disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. Management is currently accessing the impact that the new standard will have on the Group's financial position and results of the operation. Impact is not expected to be material.