1. Basis of preparation and accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements of Aluminum Corporation of China Limited 中國鋁業股份有限公司 ("the Company"), its subsidiaries and jointly controlled entities (together "the Group") have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants("HKICPA"). They have been prepared under the historical cost convention except that short-term investments and futures contracts are stated at fair value and held-to-maturity securities are stated at amortised cost.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended December 31, 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Group accounting

(i) Consolidated financial statements

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

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 year are included in the consolidated 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.

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.

1. Basis of preparation and accounting policies *(Continued)*

(b) Group accounting *(Continued)*

(ii) Joint ventures

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

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes 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.

(iii) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies. Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

1. Basis of preparation and accounting policies *(Continued)*

(c) 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) Mining rights

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

(iii) Research and development expenses

Expenditure on research and development are expensed as incurred, except for expenditure on development where the technical feasibilities of the product under development have been demonstrated, expenditure are identifiable and a market exists for the product such that it is probable that it will be profitable. Such expenditure on development 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 expenditure on development was recognized as assets by the Group.

(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.

1. Basis of preparation and accounting policies *(Continued)*

(d) Property, plant and equipment

(i) Tangible property, plant and equipment assets are stated at cost to the Group less accumulated depreciation and accumulated impairment losses.

Tangible property, plant and equipment 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 estimated useful lives of the respective categories of property, plant and equipment 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 property, plant and equipment 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 property, plant and equipment 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.

1. Basis of preparation and accounting policies *(Continued)*

(e) Construction in progress

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost. Cost comprises direct costs of construction as well as capitalized finance costs related to funds borrowed specifically for the purpose of obtaining a qualifying asset less any accumulated impairment losses.

Capitalization of these borrowing costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

(f) Operating 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 which are stated at cost to the Group less provision for impairment losses. 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 the 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.

1. Basis of preparation and accounting policies *(Continued)*

(g) Investments in securities *(Continued)*

(iii) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost less/plus any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest expense/income in the profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account as an expense immediately.

(iv) 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 raw materials, work-in-progress, finished goods and production supplies are stated at the lower of cost to the Group and net realizable value. Work-in-progress and finished goods, 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.

(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. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with an original maturity of within three months and bank overdrafts.

1. Basis of preparation and accounting policies *(Continued)*

(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.

1. Basis of preparation and 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 year that is chargeable to tax.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse 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.

1. Basis of preparation and accounting policies *(Continued)*

(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 plans organized by relevant municipal and provincial governments in the PRC. The relevant 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.

(iv) Housing fund

The Group provides housing fund based on certain percentage of the wages and with no more than the upper limit of the requirement. The housing fund is paid to social security organization, corresponding expenses are expensed or included in the cost of sales for the current year.

(q) Borrowing costs

Borrowing costs are charged to the profit and loss account in the 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.

1. Basis of preparation and accounting policies *(Continued)*

(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 useful lives of the related assets.

(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 2(ii)). Segment liabilities comprise operating liabilities and exclude liabilities not dedicated to a particular segment (Note 2(iii)). Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries, invests in jointly controlled entities and associated companies.

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.

2. Turnover, revenue and segment information

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

	Year ended December 31, 2004 RMB'000	2003 RMB'000
Turnover		
Sales of goods, net of value-added tax	**32,313,076**	23,245,858
Other revenues		
Sales of scrap and other materials	**339,585**	210,128
Supply of electricity, heat, gas and water (Note 34(b))	**273,537**	266,808
Rendering of services (Note)	**33,145**	76,680
Interest income	**61,540**	26,204
Income from unlisted investment securities	**351**	351
Total other revenues	**708,158**	580,171
Total revenues	**33,021,234**	23,826,029

Note: Rendering of services mainly comprises revenues from the provision of transportation, machinery processing and production design services.

Primary reporting format - business segments

The Group is organized in the People's Republic of China (the "PRC") into two main business segments:

- Alumina segment - comprising mining and processing of bauxite into alumina and the associated distribution activities.

- Primary aluminum segment - comprising production of primary aluminum and the associated distribution activities.

In addition, the Group also provides other services.

Activities of the headquarters and other operations of the Group, comprising research and development related to alumina and primary aluminum businesses carried out by Zhengzhou Research Institute and minor production and distribution of alumina hydrate, are grouped under corporate and other services segment.

All inter-segment and inter-plant sales are made at prices approximate to market prices.

2. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

	Year ended December 31, 2004 RMB'000	Year ended December 31, 2003 RMB'000
Segment results		
Turnover		
Alumina		
External sales	**19,223,878**	12,327,527
Inter-segment sales	**4,226,150**	3,131,674
	23,450,028	15,459,201
Primary aluminum		
External sales	**12,994,082**	10,845,603
Corporate and other services		
External sales (i)	**95,116**	72,728
Inter-segment elimination	**(4,226,150)**	(3,131,674)
Total turnover	**32,313,076**	23,245,858
Cost of goods sold		
Alumina	**13,085,754**	9,591,954
Primary aluminum	**12,501,776**	9,883,991
Corporate and other services	**81,718**	64,982
Inter-segment elimination	**(4,205,059)**	(3,101,393)
Total cost of goods sold	**21,464,189**	16,439,534
Gross profit		
Alumina	**10,364,274**	5,867,247
Primary aluminum	**492,306**	961,612
Corporate and other services	**13,398**	7,746
Inter-segment elimination	**(21,091)**	(30,281)
Total gross profit	**10,848,887**	6,806,324

2. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

	Year ended December 31, 2004 RMB'000	Year ended December 31, 2003 RMB'000
Segment results *(continued)*		
Other costs, net of other revenues and other income		
Alumina	**992,683**	757,709
Primary aluminum	**524,506**	516,375
Corporate and other services	**90,304**	86,083
Unallocated	**281,431**	367,677
Total other costs, net of other revenues and other income	**1,888,924**	1,727,844
Segment operating profit (loss)		
Alumina	**9,371,591**	5,109,538
Primary aluminum	**(32,200)**	445,237
Corporate and other services	**(76,906)**	(78,337)
Unallocated	**(281,431)**	(367,677)
Inter-segment elimination	**(21,091)**	(30,281)
Total operating profit	**8,959,963**	5,078,480
Finance costs	**408,992**	451,411
Operating profit after finance costs	**8,550,971**	4,627,069
Share of (loss) profit of jointly controlled entities	**(3,953)**	1,193
Profit before income taxes	**8,547,018**	4,628,262
Income taxes	**2,079,538**	918,862
Profit after income taxes	**6,467,480**	3,709,400
Minority interests	**243,540**	157,370
Profit for the year	**6,223,940**	3,552,030

2. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

	Year ended December 31, 2004 RMB'000	Year ended December 31, 2003 RMB'000
Capital expenditure		
Alumina	**4,976,544**	3,831,590
Primary aluminum	**5,020,548**	1,471,539
Corporate and other services	**76,841**	47,259
Unallocated	**208,411**	33,030
Total capital expenditure	**10,282,344**	5,383,418
Depreciation and amortization charged to the profit and loss account		
Alumina	**1,628,165**	1,316,722
Primary aluminum	**685,749**	716,611
Corporate and other services	**30,764**	29,890
Unallocated	**26,330**	29,224
Total	**2,371,008**	2,092,447
Impairment losses charged to the profit and loss account		
Alumina	**10,902**	33,116
Primary aluminum	**9,325**	41,369
Total	**20,227**	74,485

2. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

	As of December 31,	
	2004	2003
	RMB'000	*RMB'000*
Segment assets		
Alumina	**29,320,908**	21,824,989
Primary aluminum	**15,638,825**	9,795,912
Corporate and other services	**4,317,420**	1,979,357
Unallocated (ii)	**452,571**	2,049,685
	49,729,724	35,649,943
Inter-segment elimination	**(749,361)**	(571,648)
Total assets	**48,980,363**	35,078,295
Segment liabilities		
Alumina	**10,106,946**	8,280,529
Primary aluminum	**6,016,499**	2,314,226
Corporate and other services	**718,356**	2,351,653
Unallocated (iii)	**4,492,697**	3,309,266
	21,334,498	16,255,674
Inter-segment elimination	**(749,361)**	(571,648)
Total liabilities	**20,585,137**	15,684,026

2. Turnover, revenue and segment information *(Continued)*

Primary reporting format - business segments *(Continued)*

(i) Sales of the corporate and other services segment mainly represent the sale of alumina by Zhengzhou Research Institute.

(ii) Unallocated assets, which represent assets not dedicated to a particular segment, consist primarily of cash and cash equivalents except operating cash, investments, deferred tax assets, other receivables and non-operating Property, plant and equipment.

(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

The operations of the Group are principally carried out in the PRC and the related assets are located there.

3. 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 (Note 34(b)).

4. Selling and distribution expenses

	Year ended December 31,	
	2004	2003
	RMB'000	*RMB'000*
Transportation and loading	**313,692**	271,398
Packaging expenses	**193,968**	157,173
Miscellaneous port expenses	**38,321**	39,315
Salaries and welfare expenses	**27,179**	28,543
Sales commission and other handling fee	**15,922**	13,762
Others	**58,450**	39,241
	647,532	549,432

5. General and administrative expenses

	Year ended December 31, 2004 RMB'000	Year ended December 31, 2003 RMB'000
Salaries and welfare expenses	**393,777**	362,887
Taxes other than income taxes (Note)	**327,978**	233,213
Depreciation - non production property, plant and equipment	**71,295**	71,016
Traveling and entertainment	**68,115**	50,846
Utilities and office supplies	**43,588**	41,524
Insurance	**37,096**	23,657
Amortization of goodwill (Note 15)	**24,648**	24,648
Repairs and maintenance	**19,431**	23,189
Auditors' remuneration		
- audit fees	**18,334**	17,831
- audit related fees	**500**	—
- other fees	**1,197**	—
Loss on disposal of property, plant and equipment - non production facilities	**—**	24,095
(Write-back of provision) provision for doubtful debts and bad debts written off, net	**(1,837)**	7,231
Others	**216,780**	167,324
	1,220,902	1,047,461

Note: 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 consumption tax, value-added tax and business tax payable which are actually paid.

6. Other expenses, net

	Year ended December 31, 2004 RMB'000	2003 RMB'000
Other income:		
Exchange gain, net (Note (b))	**10,852**	—
Interest waived (Note (a))	**9,777**	44,476
Government subsidies	**4,512**	6,492
Realized gain on short-term investments	**403**	—
	25,544	50,968
Other expenses:		
Loss on futures contracts		
- realized	**20,520**	54,970
- unrealized	**4,972**	10,244
Penalties, fines and compensations	**2,518**	84
Unrealized loss on short-term investments	**917**	2,979
Exchange loss, net (Note (b))	**—**	8,234
	28,927	76,511
Other expenses, net	**3,383**	25,543

(a) In 2004, the gain was related to an interest waiver arrangement made between the Company and a financial institution for full settlement of the outstanding loans of RMB15.95 million and the related interest payable was waived. In 2003, the gain was related to an interest waiver arrangement made between the Company and China Construction Bank for full settlement of the outstanding loans and the related interest payable of RMB99.48 million by the payment by the Company of a lump sum of RMB55.00 million during the year.

(b) The net exchange gain for the year ended December 31, 2004 was mainly related to foreign currency deposits. The net exchange loss for the year ended December 31, 2003 was mainly related to foreign currency borrowings.

7. 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 are as follows:

	Year ended December 31,	
	2004	2003
	RMB'000	*RMB'000*
Fees	**863**	877
Basic salaries, housing allowances, other allowances and benefits in kind	**3,303**	2,356
Discretionary bonus	**2,200**	2,200
Contributions to the retirement scheme	**56**	67
	6,422	5,500

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

	Number of Directors and Supervisors Year ended December 31,	
	2004	2003
Nil - RMB1,000,000	**16**	11
RMB1,000,001 - RMB2,000,000	**—**	1

Directors' fees disclosed above included RMB563,479 (2003: RMB264,871) which were in respect of amounts payable to the two (2003: two) independent non-executive Directors. No emoluments was payable to an independent non-executive director who was appointed during the year ended December 31, 2004.

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

7. 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 Year ended December 31,	
	2004	2003
Directors and Supervisors	**3**	3
Senior management	**2**	2

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

	Year ended December 31,	
	2004	2003
	RMB'000	*RMB'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**979**	782
Discretionary bonus	**393**	544
Contributions to the retirement scheme	**20**	25
	1,392	1,351

8. Staff costs

	Year ended December 31, 2004 RMB'000	Year ended December 31, 2003 RMB'000
Wages, salaries and bonus	**2,285,941**	1,993,282
Housing fund	**139,532**	138,433
Contributions to retirement schemes (Note (a))	**344,391**	315,221
Discretionary bonus	**12,000**	12,000
Welfare and other expenses (Note (b))	**531,996**	441,022
	3,313,860	2,899,958

(a) The employees of the Group participate in various retirement benefit schemes organized by the relevant provincial and municipal 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 wages / salaries for the respective years. The Group's contributions to these defined contribution schemes are expensed as incurred and are not reduced by forfeited contributions. The assets of these schemes, which are operated by the respective governments, are held separately from the Company and its subsidiaries.

(b) Welfare and other expenses, including welfare, staff committee expenses, education expenses, unemployment insurance expenses, are accrued based on 14% of the wages / salaries and recognized in the profit and loss account.

(c) Staff costs include remuneration payable to Directors, Supervisors and senior management as set out in Note 7.

9. Expenses charged (written-back) to the profit and loss account

	Year ended December 31, 2004 RMB'000	Year ended December 31, 2003 RMB'000
Depreciation	**2,312,540**	2,043,983
Operating lease rentals in respect of land and buildings	**217,151**	154,363
Loss on disposal of property, plant and equipment (Note)	**43,740**	160,823
Amortization of mining rights (Note 15)	**33,820**	23,816
Provision (write-back of provision) for obsolete inventories	**39,591**	(15,223)

Note: Loss on disposal of property, plant and equipment for the year ended December 31, 2003 included loss on the dismantling of certain aged production equipment to carry out technology renovation to the production line and equipment of the Company's Guizhou branch and loss on disposal of other non-production facilities.

10. Finance costs

	Year ended December 31, 2004 RMB'000	2003 RMB'000
Interest on bank loans	**518,481**	509,598
Interest on loans from other financial institutions		
Wholly repayable within five years	**1,436**	9,818
Total finance costs incurred	**519,917**	519,416
Less: amount capitalized in construction in progress	**(110,925)**	(68,005)
	408,992	451,411
Interest rates per annum at which finance costs were capitalized	**4.9% to 5.8%**	4.9% to 5.6%

11. Taxation

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

	Year ended December 31, 2004 RMB'000	2003 RMB'000
Current taxation:		
PRC income tax	**2,271,195**	1,075,255
Over provision in prior years	**(21,165)**	(53,107)
Deferred tax	**(170,492)**	(104,144)
	2,079,538	918,004
Share of income tax attributable to jointly controlled entities	**—**	858
	2,079,538	918,862

11. Taxation *(Continued)*

(b) 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 and a subsidiary of the Company located in the western region of China (namely Guangxi branch, Qinghai branch, Guizhou branch and China Aluminum Qinghai International Trading Corp., Ltd. 中鋁青海國際貿易有限公司) 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 these branches and the subsidiary continue to engage in qualified operations in their respective regions.

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 purpose. During the year, pursuant to "Guo Shui Han 2004 No.319" issued by the Shandong Province Tax Bureau of the PRC, this subsidiary is taxed at 33% since January 1, 2004.

A subsidiary of the Company, Chalco Western Qinghai Int'l Trading Co., Ltd. ("Western Trading"), located in Xining Economic and Technology Developing District had registered and commenced business in October 2003. Pursuant to Qinghai Province Development of Western Region Policy (Qing Zheng 2003 No.35), starting from the commencement of its business, Western Trading was exempted from PRC income taxe for the first 5 years and at a preferential rate of 15% for the years after. In July 2004, the exemption of PRC income tax amounting to RMB21,165,000 for the year ended December 31, 2003 was approved by the Qinghai Province Tax Bureau and the whole amount has been written-back in the current year.

Pursuant to the Statement on Supporting Fund for Development of Enterprises issued by the local government of Caolu Town, Pudong New Areas, Shanghai, Chalco Kelin Aluminum of Shanghai Co., Ltd., a subsidiary of the Company, was exempted from PRC income tax for the first year and at a preferential rate of 15% for the two years after. As approved by the State Tax Bureau and local tax bureau of Shanghai Pudong New Area, this subsidiary was exempted from enterprise income tax for 2003 and was taxed at an income tax rate of 15% in 2004 and 2005.

The current PRC income taxes of the Company, its subsidiaries and jointly controlled entities have been provided at the basic tax rate of 33% on the assessable profits for the respective years, except for those related to the above operations in the Group.

11. Taxation (Continued)

(c) 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:

	Year ended December 31, 2004 RMB'000	Year ended December 31, 2003 RMB'000
Profit before income tax	**8,547,018**	4,628,262
Tax calculated at a tax rate of 33%	**2,820,516**	1,527,327
Deferred tax benefit arising from tax losses not recognized	**3,750**	2,704
Income not subject to tax	**(47,592)**	(60,094)
Expenses not deductible for tax purposes	**79,262**	47,594
Utilization of prior years' unrecognized tax losses (Note (i))	**(26,624)**	(142,288)
Differential tax rates on the profit of certain branches and subsidiaries	**(519,688)**	(339,728)
Tax credit for capital expenditure (Note (ii))	**(208,921)**	(63,546)
Over provision in prior years (Note (b))	**(21,165)**	(53,107)
Tax charge	**2,079,538**	918,862

(i) Prior to the group reorganization of Chinalco, which took place in 2001 for the purposes of the incorporation of the Company ("the group reorganization"), the various assets, liabilities and interests related to the alumina and primary aluminum business transferred from the promoters pursuant to the group reorganization (collectively 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 years which were not recognized as deferred tax assets in prior years' financial statements as the Company was then awaiting the final agreement by the relevant tax authorities regarding the use of such tax losses.

In March 2004, the resulting deferred tax benefit arising from these tax losses of approximately RMB142 million has been recognized in the financial statements and utilized as a tax deductible item for the 2003 PRC income tax filing following the approval by the State Tax Bureau of the PRC (the "STB") in Beijing regarding the use of such tax losses.

(ii) This primarily represents incentive in the form of tax credit given by the relevant tax authorities in respect of production plant and equipment purchased in the domestic market.

(iii) In February 2004, a notice ("Guo Shui Han 2004 No. 261") was issued by the STB clarifying the tax matters in relation to the group reorganization of Chinalco. Pursuant to the notice, where the income tax of the Core Units for the year ended December 31, 2001 was paid through Chinalco, the tax provision based on the profits of the Core Units that are in excess of the actual tax amount paid by Chinalco based on the combined tax filing of Chinalco should be the entitlement of Chinalco. Accordingly, the tax difference was accounted for by the Company in accordance with the provision of the notice.

11. Taxation *(Continued)*

(d) Deferred income tax is calculated in full on temporary differences under the liability method using the respective applicable rates.

The movements in the deferred tax balances are as follows:

	Group									
	Provision for receivable and inventories		Impairment of property, plant and equipment		Accrued wages		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As of January 1,	**33,761**	29,258	**37,060**	—	**61,775**	—	**4,282**	3,476	**136,878**	32,734
Transfer from profit and loss account	**26,920**	4,503	**9,842**	37,060	**121,015**	61,775	**12,715**	806	**170,492**	104,144
As of December 31,	**60,681**	33,761	**46,902**	37,060	**182,790**	61,775	**16,997**	4,282	**307,370**	136,878

	Company									
	Provision for receivable and inventories		Impairment of property, plant and equipment		Accrued wages		Others		Total	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As of January 1,	**29,904**	17,398	**34,189**	—	**50,938**	—	**3,770**	6,671	**118,801**	24,069
Transfer from (to) profit and loss account	**17,263**	12,506	**2,018**	34,189	**115,710**	50,938	**9,538**	(2,901)	**144,529**	94,732
As of December 31,	**47,167**	29,904	**36,207**	34,189	**166,648**	50,938	**13,308**	3,770	**263,330**	118,801

The temporary differences associated with the Group's certain underlying investments in subsidiaries amounted to approximately RMB81,880,000 as of 31 December 2004 (2003: RMB90,374,000) for which deferred tax liabilities have not been recognized, as such amount will not be reversed in the foreseeable future.

12. Profit for the year

The consolidated profit for the year and the respective amounts dealt with in the financial statements of the Company are as follows:

	Year ended December 31,			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit for the year	**6,223,940**	3,552,030	**5,560,113**	3,057,953

13. Dividend

	Year ended December 31,	
	2004	2003
	RMB'000	*RMB'000*
Final, proposed, of RMB0.176 per share on 11,049,876,153 total outstanding shares as of March 28, 2005 (As of March 29, 2004: RMB0.096 per share on 10,499,900,153 total outstanding shares as of December 31, 2004) (Note 28(a))	**1,944,778**	1,060,788

The proposed final dividend for the year ended December 31, 2004 was declared at the Board meeting held on March 28, 2005. 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, 2005.

14. Earnings per share

The calculation of basic earnings per share is based on the Group's profit for the year ended December 31, 2004 of RMB6,223,940,000 (2003: RMB3,552,030,000) and the weighted average number of 11,040,835,452 shares (2003: 10,499,900,153 shares) in issue during the year.

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

15. Intangible assets

	Group and Company		
	Goodwill	**Mining rights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As of January 1, 2004	431,334	274,681	706,015
Additions	—	81,606	81,606
Amortization charge for the year (Note 5)	(24,648)	(33,820)	(58,468)
As of December 31, 2004	**406,686**	**322,467**	**729,153**
As of December 31, 2004			
Cost	492,954	404,329	897,283
Accumulated amortization	(86,268)	(81,862)	(168,130)
Net book amount	**406,686**	**322,467**	**729,153**
As of December 31, 2003			
Cost	492,954	322,723	815,677
Accumulated amortization	(61,620)	(48,042)	(109,662)
Net book amount	**431,334**	**274,681**	**706,015**

16. 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, 2004	5,067,754	12,716,189	23,163,034	963,868	208,827	42,119,672
Additions	10,190,116	44,641	19,646	10,379	17,562	10,282,344
Transfers	(4,632,259)	906,242	3,477,081	192,979	55,957	—
Disposals	—	(18,987)	(272,572)	(115,504)	(7,916)	(414,979)
As of December 31, 2004	**10,625,611**	**13,648,085**	**26,387,189**	**1,051,722**	**274,430**	**51,987,037**
Accumulated depreciation and impairment						
As of January 1, 2004	10,420	4,244,350	11,635,503	584,538	90,664	16,565,475
Charge for the year	—	453,425	1,656,016	100,579	44,115	2,254,135
Impairment loss	10,902	5,646	3,651	28	—	20,227
Transfers	—	(12,378)	7,027	(400)	5,751	—
Disposals	—	(12,834)	(198,545)	(98,535)	(7,461)	(317,375)
As of December 31, 2004	**21,322**	**4,678,209**	**13,103,652**	**586,210**	**133,069**	**18,522,462**
Net book value						
As of December 31, 2004	**10,604,289**	**8,969,876**	**13,283,537**	**465,512**	**141,361**	**33,464,575**
As of December 31, 2003	5,057,334	8,471,839	11,527,531	379,330	118,163	25,554,197

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

	Company					
	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, 2004	4,233,837	11,859,292	21,010,050	934,580	180,666	38,218,425
Additions	6,229,486	6,004	16,175	8,297	9,207	6,269,169
Transfers	(4,072,156)	777,024	3,052,798	182,897	59,437	—
Disposals	—	(18,234)	(231,427)	(110,594)	(7,595)	(367,850)
As of December 31, 2004	**6,391,167**	**12,624,086**	**23,847,596**	**1,015,180**	**241,715**	**44,119,744**
Accumulated depreciation and impairment						
As of January 1, 2004	10,420	4,009,950	10,834,909	573,973	87,465	15,516,717
Charge for the year	—	416,365	1,504,447	96,693	36,081	2,053,586
Impairment loss	10,902	295	9,002	28	—	20,227
Transfers	—	(9,915)	5,234	(400)	5,081	—
Disposals	—	(10,938)	(191,787)	(96,432)	(7,160)	(306,317)
As of December 31, 2004	**21,322**	**4,405,757**	**12,161,805**	**573,862**	**121,467**	**17,284,213**
Net book value						
As of December 31, 2004	**6,369,845**	**8,218,329**	**11,685,791**	**441,318**	**120,248**	**26,835,531**
As of December 31, 2003	4,223,417	7,849,342	10,175,141	360,607	93,201	22,701,708

All the buildings of the Group and of the Company are located in the PRC on land with operating lease period of 48 years from Chinalco (Note 32(b)).

As of December 31, 2003 and 2004, no property, plant and equipment were pledged as security.

17. Investments in subsidiaries

	Company	
	2004	2003
	RMB'000	*RMB'000*
Investments at cost:		
Unlisted securities	**897,200**	317,800
Shares listed in the PRC	**965,196**	965,196
	1,862,396	1,282,996

Shares listed in the PRC are in respect of legal person shares in Shandong Aluminum Industry Co., Ltd. 山東鋁業股份有限公司. The total market value of such listed shares as of December 31, 2004 was approximately RMB5,044,800,000 (2003: RMB9,990,400,000).

The following is a list of the principal subsidiaries as of December 31, 2004:

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	672,000,000 A shares of RMB1 each	71.4%	Manufacture and distribution of alumina and primary aluminum
Shandong Hengcheng Machinery Works (山東恒成機械製造廠)	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

17. 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 (山東鋁業電子技術有限公司)	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
Shanxi Huazhe Aluminum and Electicity Co., Ltd. (山西華澤鋁電有限公司)	PRC	Company with limited liability	Paid up capital of RMB200,000,000	60%	Maufacture and trading of primary aluminum products, and the generation of electricity
China Aluminum Qinghai International Trading Corp., Ltd (中鋁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

17. Investments in subsidiaries *(Continued)*

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interest held	Principal 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
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
Chalco Western Qinghai Int'l Trading Co., Ltd. (中鋁青海西部國際貿易有限公司)	PRC	Company with limited liability	Paid up capital of RMB6,000,000	90% (held indirectly)	Import and export activities
Shanxi Huatai Coal Co., Ltd. (山西華泰碳素有限責任公司)	PRC	Company with limited liability	Paid up capital of RMB42,000,000	98.81% (5% held indirectly)	Production and distribution of coal related products
Aluminum Corporation of China (Hong Kong) Ltd. (中國鋁業(香港)有限公司)	HK	Company with limited liability	Paid up capital of HKD20	100% (held indirectly)	Trading of alumina and primary aluminum products

*Note: As of December 31, 2004, the legal status of these subsidiaries was 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 opinion that these enterprises meet the criteria of being a subsidiary.*

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

18. Interests/investments in jointly controlled entities/ an associated company

(a) Interests/investments in jointly controlled entities

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investment, at cost	**—**	—	**70,669**	21,169
Share of net assets	**66,877**	21,330	**—**	—
	66,877	21,330	**70,669**	21,169

Name	Place of incorporation and operation	Legal status	Particulars of issued capital	Equity interests held	Principal activities
Shanxi JinXin Aluminum Co., Ltd. (山西晉信鋁業有限公司)	PRC	Company with limited liability	Paid up capital of RMB20,000,000	50%	Production and distribution of primary aluminum
Guangxi Guixi Huayin Aluminum Co. Ltd. (桂西華銀鋁業有限公司)	PRC	Company with limited liability	Paid up capital of RMB10,000,000	33%	Production and distribution of alumina

(b) Interest/investment in an associated company

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investment in an associated company, at cost	**—**	—	**45,000**	—
Share of net assets	**45,000**	—	**—**	—
	45,000	—	**45,000**	—

18. Interests/investments in jointly controlled entities/ an associated company *(Continued)*

(b) Interest/investment in an associated company *(Continued)*

This represents investment in Jiaozuo Coal Group Zhaogu (Xinxiang) Energy Corporation Co. Ltd. (焦作煤業集團趙固(新鄉)能源有限責任公司), which was set up between the Company and Jiaozuo Coal (Group) Co., Ltd. (焦作煤業(集團)有限責任公司), on May 15, 2004. The Company has invested RMB 45,000,000 and has a 30% equity interest in this associated company. The principal activity of the associated company is the organization of coal production project in Henan. As of December 31, 2004, this associated company was still at the establishment stage.

19. Investments in securities

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity investments, at cost (Note (a))	**10,800**	10,800	**—**	—
Unlisted held-to-maturity securities (Note (b))	**—**	10,509	**—**	10,509
	10,800	21,309	**—**	10,509
Unlisted held-to-maturity securities - mature within 1 year (Note b)	**10,860**	—	**10,860**	—

Note:

(a) Unlisted equity investments are investments in shares of fellow subsidiaries.

(b) Held-to-maturity securities are stated in the balance sheet at cost less/plus any discount/premium amortised to date. The debt securities mature on July 23, 2005.

20. Inventories

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Raw materials	**2,161,964**	1,080,058	**1,904,806**	830,826
Work in progress	**1,578,971**	1,492,592	**1,359,986**	1,263,597
Finished goods	**987,603**	1,031,064	**497,173**	544,461
Production supplies	**503,369**	522,104	**500,194**	518,656
	5,231,907	4,125,818	**4,262,159**	3,157,540

As of December 31, 2004, included in inventories of the Group and of the Company were inventories stated at the net realizable values as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Costs	**573,033**	368,941	**402,235**	246,677
Less: Provision for obsolete inventories	**(73,508)**	(33,917)	**(68,061)**	(27,815)
Net realizable values	**499,525**	335,024	**334,174**	218,862

21. Accounts receivable, net

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables (Note (a))	**262,627**	384,992	**191,669**	228,543
Bills receivable (Note (b))	**1,524,195**	402,899	**1,110,911**	295,731
	1,786,822	787,891	**1,302,580**	524,274

21. Accounts receivable, net *(Continued)*

(a) Trade receivables

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Gross trade receivables	**567,864**	721,943	**437,241**	494,731
Less: Provision for doubtful accounts	**(305,237)**	(336,951)	**(245,572)**	(266,188)
	262,627	384,992	**191,669**	228,543

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 made on the basis of advance payment or documents against payment. Subject to negotiation, a credit period, which may be extended for up to one year, may be granted in respect of sales to large or long-established customers.

As of December 31, 2004, the aging analysis of trade receivables, net of provision made, was as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**162,331**	163,065	**119,167**	81,746
Between 2 and 6 months	**32,763**	111,614	**17,332**	61,896
Between 7 and 12 months	**18,838**	27,764	**13,800**	15,313
Between 1 and 2 years	**37,065**	53,895	**32,465**	49,221
Over 2 years	**11,630**	28,654	**8,905**	20,367
	262,627	384,992	**191,669**	228,543

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

22. Due from related parties

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

	Trade			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries	**122,134**	71,108	**109,385**	64,655
Subsidiaries	**—**	—	**327,862**	244,840
Jointly controlled entities	**—**	13	**—**	—
Other related parties	**56,171**	71,490	**55,617**	71,490
	178,305	142,611	**492,864**	380,985

	Others			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Holding company	**—**	3,539	**—**	3,539
Fellow subsidiaries	**242,735**	289,528	**239,484**	285,242
Subsidiaries	**—**	—	**195,881**	156,886
Jointly controlled entities	**17,618**	15,990	**17,618**	15,990
Other related parties	**—**	830	**—**	830
	260,353	309,887	**452,983**	462,487

22. Due from related parties *(Continued)*

	Total			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Holding company	**—**	3,539	**—**	3,539
Fellow subsidiaries	**364,869**	360,636	**348,869**	349,897
Subsidiaries	**—**	—	**523,743**	401,726
Jointly controlled entities	**17,618**	16,003	**17,618**	15,990
Other related parties	**56,171**	72,320	**55,617**	72,320
	438,658	452,498	**945,847**	843,472

As of December 31, 2004, the aging analysis of amounts due from related parties, which are trading in nature, was as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**55,927**	12,080	**362,074**	235,792
Between 2 and 6 months	**8,428**	6,946	**6,435**	5,586
Between 7 and 12 months	**8,010**	48,058	**9,510**	47,630
Between 1 and 2 years	**44,195**	5,778	**53,107**	22,082
Over 2 years	**61,745**	69,749	**61,738**	69,895
	178,305	142,611	**492,864**	380,985

Amounts due from the holding company, fellow subsidiaries, the jointly controlled entities and other related parties are unsecured, non-interest bearing and are repayable on demand. On March 28, 2005, the Group and the holding company has mutually agreed that all the balances aged over one year as of December 31, 2004 will be settled within five years.

23. Other current assets

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Purchase deposits to suppliers	**353,777**	301,845	**138,649**	136,922
Other deposits and prepayments	**118,462**	158,943	**58,397**	102,892
Value-added tax recoverable	**6,595**	7,072	**1,366**	2,709
Short-term listed investments, at fair value (Note(a))	**41,530**	50,080	**—**	—
Other receivables (Note(b))	**144,214**	157,979	**100,214**	94,604
	664,578	675,919	**298,626**	337,127

Note:

(a) As of December 31, 2004, short-term listed investments primarily represented PRC treasury bonds held at fair value.

(b) As of December 31, 2004, the balances of the Group and of the Company were stated net of provision for doubtful receivables of RMB164,523,000 (2003: RMB169,646,000) and RMB164,077,000 (2003: RMB169,058,000), respectively.

24. Cash and cash equivalents

As of December 31, 2004 and December 31, 2003, the Group and the Company do not have any pledged cash at bank.

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Renminbi (Note)	**5,763,753**	2,310,247	**4,900,076**	1,754,956
Other foreign currency deposits	**460,010**	286,193	**460,010**	286,193
	6,223,763	2,596,440	**5,360,086**	2,041,149

Note: Renminbi is not a freely convertible currency. The restrictions on foreign exchange imposed by the PRC government may result in material difference between future exchange rate and the current exchange rate or historical exchange rate. The Group believes that it is able to obtain sufficient foreign exchange for the performance of its relevant obligations.

25. Accounts payable

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables (Note (a))	**1,919,330**	1,441,175	**1,672,667**	1,135,833
Bills payable (Note (b))	**49,093**	426,491	**12,000**	223,491
	1,968,423	1,867,666	**1,684,667**	1,359,324

(a) Trade payables

As of December 31, 2004, the aging analysis of trade payables was as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**1,280,298**	1,071,310	**1,084,876**	860,698
Between 2 and 6 months	**479,408**	241,040	**444,230**	169,536
Between 7 and 12 months	**71,739**	46,504	**63,181**	38,373
Between 1 and 2 years	**21,739**	34,689	**19,798**	24,087
Between 2 and 3 years	**9,916**	10,550	**7,844**	8,591
Over 3 years	**56,230**	37,082	**52,738**	34,548
	1,919,330	1,441,175	**1,672,667**	1,135,833

(b) Bills payable are repayable within six months.

26. Due to related parties

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

	Trade			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries	**79,408**	60,443	**67,376**	47,727
Subsidiaries	**—**	—	**41,300**	23,130
Other related parties	**—**	10,816	**—**	10,816
	79,408	71,259	**108,676**	81,673

	Others			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries	**556,204**	315,340	**407,295**	294,967
Subsidiaries	**—**	—	**921,680**	194,718
Jointly controlled entities	**603**	—	**603**	—
Other related parties	**—**	1,265	**—**	1,265
	556,807	316,605	**1,329,578**	490,950

	Total			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fellow subsidiaries	**635,612**	375,783	**474,671**	342,694
Subsidiaries	**—**	—	**962,980**	217,848
Jointly controlled entities	**603**	—	**603**	—
Other related parties	**—**	12,081	**—**	12,081
	636,215	387,864	**1,438,254**	572,623

26. Due to related parties *(Continued)*

As of December 31, 2004, the aging analysis of amounts due to related parties, which are trading in nature, was as follows:

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 month	**65,163**	61,155	**96,344**	74,238
Between 2 and 6 months	**11,978**	8,570	**11,060**	7,156
Between 7 and 12 months	**1,243**	48	**1,196**	29
Over 1 year	**1,024**	1,486	**76**	250
	79,408	71,259	**108,676**	81,673

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

27. Other payables and accruals

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accrued construction costs	**1,587,818**	763,095	**901,613**	734,112
Sales deposits from customers	**1,507,443**	696,678	**1,135,061**	541,437
Accrued payroll and bonus	**745,200**	412,727	**692,910**	335,752
Taxes other than income taxes payable (Note)	**517,148**	279,358	**496,290**	273,944
Staff welfare payable	**287,396**	275,641	**268,024**	255,780
Accrued contributions to retirement schemes	**31,006**	40,507	**27,527**	38,201
Interest payable	**20,651**	29,574	**17,318**	25,979
Other accruals	**291,098**	336,516	**252,159**	321,347
	4,987,760	2,834,096	**3,790,902**	2,526,552

Note: Taxes other than income taxes payable mainly comprise accrual for value-added tax, land use tax, city construction tax and education surcharge payables.

28. Issued capital and reserves

(a) Share capital

	Company	
	2004	2003
	RMB'000	*RMB'000*
Registered, issued and fully paid: 11,049,876,153 (2003: 10,499,900,153) shares of RMB1.00 each	**11,049,876**	10,499,900

In January 2004, pursuant to a placing agreement between the Company and a placing agent, the Company issued an aggregate of 549,976,000 new H shares of RMB1.00 each to certain independent professional and institutional investors at a price of HK$5.658 per H share on a fully underwritten basis ("the Placing"). The net proceeds to the Company from the Placing amounted to approximately RMB3.2 billion of which, approximately RMB2,000 million will be used to fund the alumina expansion project in the Company's Shanxi branch. The Directors plan to use the balance of the net proceeds for the funding of any possible acquisitions of domestic primary aluminum projects.

As of December 31, 2004 the registered, issued and fully paid share capital of the Company has been increased to RMB11,049,876,153, divided into 11,049,876,153 shares of par value of RMB1.00 per share, comprising 7,750,010,185 domestic shares and 3,299,865,968 H shares.

As of December 31, 2003 the registered, issued and fully paid capital of the Company were RMB10,499,900,153, consisting of 7,750,010,185 domestic shares and 2,749,889,968 H shares of par value of RMB1.00 per share.

28. Issued capital and reserves *(Continued)*

(b) Reserves

For the year ended December 31, 2004

	Company				
	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*
As of January 1, 2004	**3,493,594**	**518,921**	**518,921**	**3,146,709**	**7,678,145**
Issue of shares	**2,750,672**	—	—	—	**2,750,672**
Share issue expenses	**(49,998)**	—	—	—	**(49,998)**
Profit for the year	—	—	—	**5,560,113**	**5,560,113**
Transfer to					
- capital reserve	**9,777**	—	—	**(9,777)**	—
- statutory surplus reserve	—	**606,636**	—	**(606,636)**	—
- statutory public welfare fund	—	—	**606,636**	**(606,636)**	—
Dividend paid	—	—	—	**(1,060,788)**	**(1,060,788)**
As of December 31, 2004	**6,204,045**	**1,125,557**	**1,125,557**	**6,422,985**	**14,878,144**
Retained earnings represented by:					
2004 final dividend proposed				**1,944,778**	
Unappropriated retained earnings				**4,478,207**	
Retained earnings as of December 31, 2004				**6,422,985**	

28. Issued capital and reserves *(Continued)*

(b) Reserves *(Continued)*

For the year ended December 31, 2003

	Company				
	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*
As of January 1, 2003	3,310,258	180,128	180,128	1,283,314	4,953,828
Profit for the year	—	—	—	3,057,953	3,057,953
Transfer to					
- capital reserves	44,476	—	—	(44,476)	—
- statutory surplus reserve	—	338,793	—	(338,793)	—
- statutory public welfare fund	—	—	338,793	(338,793)	—
Dividend paid	—	—	—	(472,496)	(472,496)
Other reserve (Note (b)(i))	138,860	—	—	—	138,860
As of December 31, 2003	3,493,594	518,921	518,921	3,146,709	7,678,145
Retained earnings represented by:					
2003 final dividend proposed				1,060,788	
Unappropriated retained earnings				2,085,921	
Retained earnings as of December 31, 2003				3,146,709	

28. Issued capital and reserves *(Continued)*

(b) Reserves *(Continued)*

(i) Capital reserve

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Capital reserve represents:				
Premium on issue of shares upon group reorganization	**2,403,804**	2,403,804	**2,403,804**	2,403,804
Premium on subsequent issue of shares to the public	**3,504,128**	803,454	**3,504,128**	803,454
Gain on waiver of interest (Note 6 (a))	**157,253**	147,476	**157,253**	147,476
Other reserve	**138,860**	138,860	**138,860**	138,860
	6,204,045	3,493,594	**6,204,045**	3,493,594

Capital reserve can only be used to increase share capital. Pursuant to the PRC accounting standard on debt restructuring, any gains arising from debt restructuring which represent the difference between the final settlement and the carrying value of the debt concerned are directly reflected in capital reserve and therefore not distributable. Accordingly, a transfer has been made from retained earnings to reflect its non-distributable nature.

Other reserve represents contributions from Chinalco in respect of subsidies received by Chinalco from the Ministry of Finance of the PRC to support certain technical improvement projects of the Group. Pursuant to relevant PRC regulations, these subsidies should be treated as the equity interest of Chinalco; therefore can only be used to increase Chinalco's shares in the Company in the event that new issuance of shares is made in the future.

(ii) Statutory surplus reserve

In accordance with 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. Statutory surplus reserve balance should not falling below 25% of the registered capital after the placing.

28. Issued capital and reserves *(Continued)*

(b) Reserves *(Continued)*

(iii) Statutory public welfare fund

In accordance with 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 any capital expenditure on staff welfare facilities has been made, an equivalent amount must be transferred from the statutory public welfare fund to the discretionary surplus reserve, a reserve which can be used to reduce any losses incurred or to increase share capital.

The Company decided to make a 10% (2003: 10%) transfer as statutory public welfare fund for the years ended December 31, 2004 and December 31, 2003.

(iv) Retained earnings (accumulated losses)

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Company and subsidiaries	**7,415,179**	3,594,250	**6,422,985**	3,146,709
Jointly controlled entities	**(5,055)**	(1,102)	**—**	—
An associated company	**—**	—	**—**	—
	7,410,124	3,593,148	**6,422,985**	3,146,709

29. Long-term loans

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

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unsecured bank loans				
Wholly repayable within five years	**3,365,000**	2,261,380	**3,255,000**	2,111,380
Not wholly repayable within five years	**5,081,321**	3,788,115	**2,801,321**	3,488,115
	8,446,321	6,049,495	**6,056,321**	5,599,495
Loans from other financial institutions				
Wholly repayable within five years	**19,000**	178,978	**19,000**	178,978
	8,465,321	6,228,473	**6,075,321**	5,778,473
Current portion of long-term loans	**(1,073,658)**	(815,845)	**(963,658)**	(775,845)
	7,391,663	5,412,628	**5,111,663**	5,002,628

As of December 31, 2004, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,054,658**	686,867	**944,658**	646,867
In the second year	**1,621,658**	1,054,566	**1,621,658**	944,566
In the third to fifth year	**4,419,635**	3,557,137	**3,339,635**	3,557,137
After the fifth year	**1,350,370**	750,925	**150,370**	450,925
	8,446,321	6,049,495	**6,056,321**	5,599,495

29. Long-term loans *(Continued)*

	Loans from other financial institutions			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**19,000**	128,978	**19,000**	128,978
In the second year	**—**	—	**—**	—
In the third to fifth year	**—**	50,000	**—**	50,000
	19,000	178,978	**19,000**	178,978

	Total			
	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,073,658**	815,845	**963,658**	775,845
In the second year	**1,621,658**	1,054,566	**1,621,658**	944,566
In the third to fifth year	**4,419,635**	3,607,137	**3,339,635**	3,607,137
After the fifth year	**1,350,370**	750,925	**150,370**	450,925
	8,465,321	6,228,473	**6,075,321**	5,778,473

As of December 31, 2004, bank loans of the Group and of the Company of RMB1,485,161,000 (2003: RMB3,426,515,000) and RMB1,375,161,000(2003: RMB3,319,515,000), respectively, were guaranteed by Chinalco.

As of December 31, 2004, bank loans guaranteed by the Company amounted to RMB1,100,000,000 (2003: Nil).

29. Long-term loans *(Continued)*

The characteristics of the Group's long-term loans as of December 31, 2004 are analyzed as follows:

Loan	Interest rate and final maturity	**2004** *RMB'000*	2003 *RMB'000*
Bank loans:			
Renminbi-denominated loans:			
Development of production facilities	Variable interest rates ranging from 4.9% to 5.9% per annum as of December 31, 2004 with maturity dates through 2009 (2003: 5% to 6% per annum with maturity date through 2009)	**5,104,000**	1,827,000
Working capital	Variable interest rates ranging from 4.9% to 5.5% per annum as of December 31, 2004 with maturity dates through 2012 (2003: 4.9% to 5.8% per annum with maturity dates through 2009)	**3,330,160**	4,209,970
Euro-denominated loans:			
Development of production facilities	Fixed interest rate 9.4% as of December 31, 2003 with maturity date through 2004	**—**	272
Danish Krone-denominated loans:			
Development of production facilities	Fixed interest rates ranging from 0.3% to 9.2% per annum as of December 31, 2004 with maturity dates through 2015 (2003: fixed interest rates ranging from 0.3% to 9.2% per annum with maturity dates through 2015)	**12,161**	12,253
		8,446,321	6,049,495
Loans from other financial institutions:			
Renminbi-denominated loans:			
Working capital	Fixed interest rates 5.3% per annum as of December 31, 2004 with maturity dates through 2006 (2003: 0.3% to 6.2% per annum with maturity dates through 2006)	**19,000**	178,978

29. Long-term loans *(Continued)*

The analysis of the fair value of the Group's long-term loans as of December 31, 2004 is as follows:

	2004		2003	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Long-term loans:				
Bank loans	**8,446,321**	**8,443,798**	6,049,495	6,047,096
Loans from other financial institutions	**19,000**	**19,000**	178,978	178,978

The fair values of long-term loans are based on discounted cash flows using applicable discount rates from the prevailing market rates of interest offered to the Group for debts with substantially the same characteristics and maturity dates. Such discount rates ranged from 2.9% to 4.0% and 2.9% to 4.0% as of December 31, 2003 and 2004, respectively, depending on the type of the debt.

Banking facilities

As of December 31, 2004, the Group had total banking facilities of approximately RMB33,894 million, (2003: RMB28,308 million), inclusive of long-term facilities of approximately RMB13,963 million (2003: RMB9,274 million) and other facilities of approximately RMB19,931 million (2003: RMB19,034 million). Out of the total banking facilities granted, amounts totaling RMB11,895 million have been utilized as of December 31, 2004 (2003: RMB7,939 million). Banking facilities of approximately RMB26,198 million require renewal during 2005. The Directors of the Company are confident that such banking facilities can be renewed upon expiry.

30. Notes to the consolidated cash flow statement

Analysis of changes in financing during the year:

	Issued capital and reserves		Minority interests		Loans	
	2004	2003	**2004**	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
As of January 1,	**18,742,341**	15,523,947	**651,928**	437,809	**10,029,758**	10,052,572
Issue of shares	**3,300,648**	—	**—**	—	**—**	—
Share issue expenses	**(49,998)**	—	**—**	—	**—**	—
Profit for the year	**6,223,940**	3,552,030	**—**	—	**—**	—
Injection of capital by minority shareholders	**—**	—	**360,500**	80,600	**—**	—
Minority interests in share of profits	**—**	—	**243,540**	157,370	**—**	—
Net cash outflows from financing related to loans	**—**	—	**—**	—	**1,884,473**	(22,814)
Dividend paid to minority shareholders	**—**	—	**(16,885)**	(23,851)	**—**	—
Other reserve	**—**	138,860	**—**	—	**—**	
Dividend paid	**(1,060,788)**	(472,496)	**—**	—		
As of December 31,	**27,156,143**	18,742,341	**1,239,083**	651,928	**11,914,231**	10,029,758

31. Litigation and contingent liabilities

(a) Litigation

As of December 31, 2003 and 2004, the Group has no significant pending litigation.

(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 the Guangxi branch of the Company (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 obligated to pay US$7.5 million (approximately RMB62.1 million) to the other party as compensation.

Although the final joint venture agreement was not executed, pursuant to the Supplementary Agreement of the Strategic Investor Subscription Agreement, the Company continues to work actively and closely with Alcoa to conclude the joint venture agreement consistently with its expressed intentions in the MOU. 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.

With effort contributed by both parties, significant progress was noted, including the finalization of the joint venture agreement, articles of association and electricity supply arrangement. On March 29, 2004, the establishment of the Pingguo JV was approved by the National Development and Reform Commission.

32. Commitments

(a) Capital commitments for property, plant and equipment

	Group		Company	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted but not provided for	**3,024,071**	4,494,778	**1,771,881**	2,466,781
Authorized but not contracted for	**5,672,804**	11,756,110	**4,820,240**	8,650,477
	8,696,875	16,250,888	**6,592,121**	11,117,258

32. Commitments *(Continued)*

(b) Commitments under operating leases

As of December 31, 2004, 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	
	2004	2003	**2004**	2003
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Not later than one year	**245,984**	173,611	**224,410**	167,640
Later than one year and not later than five years	**983,934**	694,444	**897,640**	670,558
Later than five years (Note)	**9,529,497**	7,233,286	**9,060,493**	6,976,520
	10,759,415	8,101,341	**10,182,543**	7,814,718

Note: It mainly represents commitments under operating leases in relation to land later than five years but not later than forty-eight years.

33. Futures contracts

As of December 31, 2003 and 2004, the Group held futures contracts covering 12,050 tonnes and 13,845 tonnes of aluminum maturing in the first 9 months of 2004 and in the first 3 months of 2005, respectively. Market prices of these aluminum futures contracts outstanding as of December 31, 2003 and 2004 ranged from RMB15,620 to RMB16,410 per tonne and from RMB16,214 to RMB16,430 per tonne, respectively. The carrying amounts and estimated fair values of futures contracts on the balance sheet are as follows:

	Year ended December 31,					
	2004			2003		
	Contract value	**Market value**	**Fair value**	Contract value	Market value	Fair value
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Futures contracts	**220,961**	**225,933**	**(4,972)**	179,244	189,488	(10,244)

Aluminum future brokerage facilities

As of December 31, 2004, the Group had total aluminum future brokerage facilities of approximately US$21,000,000 (2003: US$6,000,000) to trade at the London Metal Exchange. Out of the total aluminum future brokerage facilities granted, amounts totalling US$636,000 have been utilized as of December 31, 2004 (2003: Nil). And the brokers reserve the right to cancel, withdraw, reduce or vary the amount of the facilities at any time.

34. 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 it has provided meaningful disclosures of related party transactions through the disclosure of transactions with Chinalco and entitles 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.

Saved as disclosed elsewhere in the financial statements. Significant related party transactions which were carried out in the normal course of the Group's business are as follows:

		Year ended December 31,	
		2004	2003
	Note	***RMB'000***	*RMB'000*
Sales of materials and finished goods to:	(a)		
Holding company and fellow subsidiaries		**1,700,746**	1,106,919
Jointly controlled entity		**52,424**	33,701
		1,753,170	1,140,620
Provision of utility services to the holding company and fellow subsidiaries	(b)	**219,952**	234,067
Provision of engineering, construction and supervisory services by the holding company and fellow subsidiaries	(c)	**830,582**	784,163
Purchase of property, plant and equipment from a fellow subsidiary	(d)	**115,098**	—
Purchases of key and auxiliary materials from:	(e)		
Holding company and fellow subsidiaries		**427,727**	391,730
Other related parties		**205,937**	128,956
		633,664	520,686
Provision of social services and logistics services by the holding company and fellow subsidiaries	(f)	**927,252**	744,575
Land and building rental charged by the holding company	(g)	**239,810**	173,611

34. Related party transactions *(Continued)*

(a) Materials and finished goods sold to Chinalco, fellow subsidiaries and other related companies, during both the periods mainly comprised sales of alumina, primary aluminum and scrap materials. These transactions during the periods are covered by General Agreement on Mutual Provision of Production Supplies and Ancillary Services entered into between the Company and Chinalco. The pricing policy is summarized below:

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

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

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

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

(b) Utility services, including electricity, heat, gas and water, were supplied to Chinalco and fellow subsidiaries 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. Provision of these services are covered by the Provision of Engineering, Construction and Supervisory Services Agreement. The State-guidance price (a)(ii) or prevailing market price (a)(iii) (including tender price where by way of tender) is adopted for pricing purposes.

(d) A subsidiary of the Company, Shandong Aluminum Industry Co., Ltd., purchased two kilns from a fellow subsidiary, Shandong Aluminum Co. Ltd., of the Company. The purchase price is based on an independent valuation report.

(e) The purchases of key and auxiliary materials (including bauxite, limestone, carbon, cement, coal) from Chinalco, fellow subsidiaries and other related companies are covered by the General Agreement on Mutual Provision of Production Supplies and Ancillary Services and Mineral Supply Agreement. The pricing policy is the same as that set out in (a)(i) above.

(f) Social services and logistics services were provided by Chinalco and fellow subsidiaries 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. 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 the General Agreement on Mutual Provision of Production Supplies and Ancillary Services.

34. Related party transactions *(Continued)*

(g) 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 for the current year is approximately RMB239.8 million (2003: RMB173.6million). Besides, according to the Building Leasing Agreement entered into between the Company and Chinalco, the Company is required to pay rental fee for the use of buildings and properties which are retained by Chinalco.

As of December 31, 2004, there existed the following arrangements between the Group and Chinalco, fellow subsidiaries and other related parties.

(i) Guarantees granted by Chinalco to banks for the loans borrowed by the Group are covered by the Guarantee of Debts Contract entered into between the Company and Chinalco. According to the "Solution of Chinalco Guarantee Management" issued in May 2004, the Company paid a one-off guarantee fee of RMB14,395,000 (2003: Nil) to Chinalco.

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

35. Ultimate holding company

The Directors regard Chinalco, a company incorporated in the PRC, as being the ultimate holding company. As of December 31, 2004 and March 28 , 2005 (being the date of the approval of the financial statements), Chinalco held 42.14% of the Company's issued share capital.

36. Subsequent events

Save as disclosed in Note 22 regarding the settlement of balances due from related parties, the following events took place subsequent to the balance sheet date:

(a) In January, 2005, the Company entered into an agreement with Lanzhou Aluminum Plant concerning acquisition of shares in Lanzhou Aluminum Corporation Limited (the "Lanzhou Aluminum") for a consideration of RMB767,305,000. Pursuant to the transaction, the Company holds a 28% interest in the equity of Lanzhou Aluminum.

(b) On March 28, 2005, the Board of Directors resolved that the Company would apply to the China Securities Regulatory Commission for the issue of a maximum of 1,500,000,000 A Shares to the PRC public. The amount raised is expected to be not more than RMB8,000 million. The proposed A Share issue is subject to approval by the Company's shareholders at the Annual General Meeting to be held in June 2005.

37. Approval of financial statements

The financial statements were approved by the Board of Directors on March 28, 2005.