The consolidated financial statements for the years ended December 31, 2003 and December 31, 2004 have been prepared in accordance 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,		
		2003	**2004**	**2004**
	Note	*RMB'000*	***RMB'000***	***US$'000***
Net income under HK GAAP		3,552,030	**6,223,940**	**752,001**
U.S. GAAP adjustments:				
Capitalization of finance costs, net of related depreciation	(a)	3,494	**249,131**	**30,101**
Depreciation of revalued fixed assets	(b)	268,600	**269,999**	**32,622**
Amortization of goodwill	(c)	24,648	**24,648**	**2,978**
Amortization of mining rights	(d)	9,307	**9,307**	**1,125**
Income tax effect of U.S. GAAP adjustments	(e)	(60,904)	**(154,109)**	**(18,620)**
Net income under U.S. GAAP		3,797,175	**6,622,916**	**800,207**
Basic and diluted net income per share under U.S. GAAP		RMB0.36	**RMB0.60**	**US$0.07**

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

		As of December 31,		
		2003	**2004**	**2004**
	Note	*RMB'000*	***RMB'000***	***US$'000***
Owners' equity under HK GAAP		18,742,341	**27,156,143**	**3,281,114**
U.S. GAAP adjustments:				
Capitalization of finance costs, net of related depreciation	(a)	328,575	**577,706**	**69,801**
Revaluation of fixed assets, net of related depreciation	(b)	(3,115,790)	**(2,861,717)**	**(345,764)**
Amortization of goodwill	(c)	49,296	**73,944**	**8,934**
Revaluation of mining rights, net of related amortization	(d)	(261,728)	**(252,421)**	**(30,499)**
Income tax effect of U.S. GAAP adjustments, as restated	(e)	891,805	**742,951**	**89,766**
Owners' equity under U.S. GAAP, as restated		16,634,499	**25,436,606**	**3,073,352**
Owners' equity under U.S. GAAP				
As previously reported		15,477,879		
Restatement adjustment:				
– Income tax adjustments from revaluation of fixed assets and mining rights		1,156,620		
As restated		16,634,499		

Restatement of US GAAP information

As the amount of the revaluation of fixed assets and mining rights amortize, the company has recorded the deferred tax effect relating to the adjustment for amortization expense. Accordingly, as the effect of these items is reduced, the related tax benefit is also reduced. However, the company inadvertently did not record the original deferred tax benefit relating to the adjustment for revaluation of fixed assets and mining rights, and, thus, owner's equity on a US GAAP basis has been understated in prior periods. The Company has restated the amounts for 2003 to properly reflect this adjustment. The impact is to increase owner's equity at December 31, 2003 by RMB1,157 million from RMB15,478 million as originally reported to the amount presented above.

The adjustment described above would have been recorded at the end 2001 using the statutory tax rate of 33%.

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 and intangible 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 asset 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 finance costs capitalized under the two accounting standards.

(b) Revaluation of fixed assets

Under HK GAAP, fixed assets transferred from Chinalco to the Group as part of the group reorganization were accounted for under the acquisition accounting method at July 1, 2001, the date of the group 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. In addition, during 2004, a subsidiary of the Company purchased certain production facilities from one of the subsidiaries of Chinalco. The production facilities were revalued at fair value under HK GAAP. The production facilities were appraised by a professional valuer in the PRC, Beijing Liuhezhengxu Assets Evaluation Co., Ltd.. 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) Goodwill

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

(d) Revaluation of mining rights

As part of the group 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 not 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 capitalized finance costs and deferred tax assets relating to the reversal of the fixed assets revaluation, goodwill and mining rights are recognized.

(f) 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 risks:

(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 uncollectible 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 and London Metal Exchange to hedge against adverse fluctuations in aluminum price and do not hold other derivatives instrument. The futures contracts are marked to market at balance sheet date and corresponding unrealized holding gains (loss) are recorded in the profit and loss account for the year. The unrealized holding losses for the years ended December 31, 2003 and 2004 were RMB10,244,000 and RMB4,972,000, respectively.

(f) Financial instruments *(Continued)*

(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 29 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.

(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, 2003 and 2004, the Group had the following foreign currency denominated short-term deposits:

	As of December 31,	
	2003	**2004**
	RMB'000	***RMB'000***
Short-term deposits:		
U.S. Dollar denominated	268,742	**459,744**
Hong Kong Dollar denominated	17,449	**264**
Euro denominated	2	**2**

The Group also had foreign currency denominated accounts receivable as of December 31, 2003 and 2004:

	As of December 31,	
	2003	**2004**
	RMB'000	***RMB'000***
Accounts receivable:		
U.S. Dollar denominated	—	**23,742**

The Group also had short-term foreign currency denominated loan as of December 31, 2003 and 2004:

	As of December 31,	
	2003	**2004**
	RMB'000	***RMB'000***
Short-term loan:		
U.S. Dollar denominated	405,905	**1,052,770**

The Group had foreign currency denominated long-term bank loans as of December 31, 2003 and 2004, details of which are disclosed in Note 29 to the financial statements.

(f) Financial instruments *(Continued)*

(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.

(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, amounts due to related parties and other payables, approximate their fair values due to their short maturity. 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 on the balance sheets:

	As of December 31, 2003			**As of December 31, 2004**		
	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	179,244	189,488	(10,244)	**220,961**	**225,933**	**(4,972)**

The fair values of futures contracts are based on quoted market prices. 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 at December 31, 2003 and 2004 ranged from RMB13,800 to RMB16,300 per tonne and from RMB16,214 to RMB16,430 per tonne, respectively.

Investments in unlisted equity securities are unquoted equity interests in which no quoted market prices for such investments are available in the PRC. Accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs and the amounts are not material to the Group's financial statements.

(g) 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 34 to the financial statements transactions and balances with its immediate holding company, Chinalco, and related companies. For U.S. GAAP purposes, the Group believes that it has provided meaningful disclosures of related party transactions through the disclosures of transactions with its immediate parent in Note 34 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.

(h) Recent U.S. accounting pronouncements

Statement of Financial Accounting Standards No. 151, "Inventory Costs - an Amendment of ARB No. 43, Chapter 4" ("FAS 151") provides clarification that abnormal amounts of idle facility expense, freight, handling costs, and spoilage should be recognized as current-period charges. Additionally, this standard requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this standard are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of FAS 151 is not expected to have a material impact on the Group's financial position and results of the operation.

Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29" ("FAS 153") amends and clarifies accounting for exchanges of nonmonetary assets under Accounting Principles Board ("APB") Opinion No. 29, "Account or Nonmonetary Transactions" ("APB 29"). APB 29 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in APB 29, however, included certain exceptions to that principle. FAS 153 amends APB 20 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. FAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005, with earlier adoption permitted. The adoption of FAS 153 is not expected to have a material impact on the Group's financial position and results of the operation.