

The Board of Directors of Aluminum Corporation of China Limited (the "Company") is pleased to announce the unaudited interim results of operations of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2006, and would like to express our gratitude on behalf of our staff to our shareholders for their support to the Company.

RESULTS

The consolidated turnover of the Group for the six months ended June 30, 2006 amounted to RMB27,401 million, representing an increase of 53.5% over the same period last year. The consolidated net profit attributable to equity holders of the Company for the six months ended June 30, 2006 amounted to RMB6,744 million, representing an increase of 89.8% over the same period last year. Basic earnings per share for profit attributable to the equity holders of the Company was RMB0.60.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

	<i>Note</i>	June 30, 2006 RMB'000 (unaudited)	December 31, 2005 RMB'000 (audited)
ASSETS			
Non-current assets			
Intangible assets	4	700,083	721,479
Property, plant and equipment	4	43,223,370	39,773,607
Land use rights	4	253,264	62,275
Interest in jointly controlled entities		390,665	184,399
Interest in associated companies		919,712	886,375
Available-for-sale financial assets		10,200	10,200
Deferred tax assets		408,498	408,874
		45,905,792	42,047,209
Current assets			
Inventories		8,103,065	7,234,731
Accounts receivable, net	5	1,541,949	961,191
Other current assets		2,284,776	1,169,021
Cash and cash equivalents		12,132,223	7,597,727
		24,062,013	16,962,670
Total assets		69,967,805	59,009,879

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)

	Note	June 30, 2006 RMB'000 (unaudited)	December 31, 2005 RMB'000 (audited)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	6	11,649,876	11,049,876
Other reserves		14,033,064	10,242,615
Retained earnings			
Proposed dividend	17	2,190,177	2,364,673
Unappropriated retained earnings	7	13,540,746	8,987,275
		<u>41,413,863</u>	32,644,439
Minority interests		<u>2,303,739</u>	1,560,455
Total equity		<u>43,717,602</u>	<u>34,204,894</u>
LIABILITIES			
Non-current liabilities			
Borrowings	8	9,729,419	9,690,493
Deferred tax liabilities		177,052	176,991
		<u>9,906,471</u>	9,867,484
Current liabilities			
Accounts payable	9	2,312,658	2,649,249
Other payables and accruals		6,819,733	5,585,317
Current income tax liabilities		1,439,880	999,117
Borrowings	8	5,771,461	5,703,818
		<u>16,343,732</u>	14,937,501
Total liabilities		<u>26,250,203</u>	<u>24,804,985</u>
Total equity and total liabilities		<u>69,967,805</u>	<u>59,009,879</u>
Net current assets		<u>7,718,281</u>	<u>2,025,169</u>
Total assets less current liabilities		<u>53,624,073</u>	<u>44,072,378</u>

The notes on page 7 to 31 are an integral part of these unaudited condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended June 30,	
	Note	2006 RMB'000	2005 RMB'000
		(unaudited)	(unaudited)
Sales	10	27,400,625	17,848,749
Cost of goods sold		(16,275,865)	(11,771,655)
Gross profit		11,124,760	6,077,094
Other revenues and gains, net	10	186,429	93,222
Selling and distribution expenses	11	(409,994)	(319,495)
General and administrative expenses	12	(1,006,614)	(606,816)
Research and development expenses		(40,890)	(52,413)
Operating profit		9,853,691	5,191,592
Finance costs	13	(321,791)	(181,370)
Operating profit after finance costs	14	9,531,900	5,010,222
Share of profit of an associated company		33,337	7,798
Share of loss of a jointly controlled entity		—	(1,094)
Profit before income taxes		9,565,237	5,016,926
Income taxes	15	(2,563,470)	(1,334,374)
Profit for the period		7,001,767	3,682,552
Attributable to:			
Equity holders of the Company		6,743,648	3,553,817
Minority interests		258,119	128,735
		7,001,767	3,682,552
Basic earnings per share for profit attributable to the equity holders of the Company	16	RMB0.60	RMB0.32
Dividends	17	2,190,177	—

The notes on page 7 to 31 are an integral part of these unaudited condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(unaudited)

	Attributable to equity holders of the Company						Minority interest	Total equity	
	Share capital	Capital reserve	Statutory surplus	Statutory public welfare fund	Discretionary surplus	Retained earnings			
			reserve	fund	reserve	earnings			
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2006	11,049,876	6,218,756	2,061,686	1,962,173	—	11,351,948	32,644,439	1,560,455	34,204,894
Transfer (Note 7)	—	—	—	(1,962,173)	1,962,173	—	—	—	—
Issuance of new shares (Note 6)	600,000	3,902,492	—	—	—	—	4,502,492	—	4,502,492
Share issue expenses (Note 6)	—	(112,043)	—	—	—	—	(112,043)	—	(112,043)
Capital contributions	—	—	—	—	—	—	—	582,480	582,480
Profit for the period	—	—	—	—	—	6,743,648	6,743,648	258,119	7,001,767
Dividend paid (Note 17)	—	—	—	—	—	(2,364,673)	(2,364,673)	(97,315)	(2,461,988)
Balance at June 30, 2006	11,649,876	10,009,205	2,061,686	—	1,962,173	15,730,923	41,413,863	2,303,739	43,717,602
Balance at January 1, 2005	11,049,876	6,204,045	1,277,789	1,214,309	—	7,820,776	27,566,795	1,239,083	28,805,878
Capital contributions	—	—	—	—	—	—	—	99,000	99,000
Profit for the period	—	—	—	—	—	3,553,817	3,553,817	128,735	3,682,552
Dividend paid (Note 17)	—	—	—	—	—	(1,944,778)	(1,944,778)	(80,635)	(2,025,413)
Balance at June 30, 2005	11,049,876	6,204,045	1,277,789	1,214,309	—	9,429,815	29,175,834	1,386,183	30,562,017

The notes on page 7 to 31 are an integral part of these unaudited condensed interim consolidated financial information.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

		Six months ended June 30,	
	Note	2006	2005
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Net cash generated from operating activities		6,442,212	3,061,002
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	3	(98,608)	—
Investment in jointly controlled entities		(206,266)	—
Investment in an associated company		—	(799,038)
Purchase of property, plant and equipment		(2,008,277)	(4,062,443)
Proceeds on disposal of property, plant and equipment		8,517	3,093
Other investing cash flows, net		82,048	(6,598)
Net cash used in investing activities		(2,222,586)	(4,864,986)
Cash flows from financing activities			
Issuance of new shares at a premium, net of issuance cost		4,390,449	—
Dividend paid	17	(2,364,673)	(1,944,778)
Dividend paid by subsidiaries to minority shareholders		(97,315)	(80,635)
Issuance of short-term bonds		2,988,000	1,945,567
Redemption of short-term bonds		(2,000,000)	—
New loans borrowed		1,066,471	3,443,082
Repayments of borrowings		(3,760,462)	(2,533,387)
Other financing cash flows, net		92,400	99,000
Net cash generated from financing activities		314,870	928,849
Net increase / (decrease) in cash and cash equivalents		4,534,496	(875,135)
Cash and cash equivalents at beginning of the period		7,597,727	6,223,763
Cash and cash equivalents at end of the period		12,132,223	5,348,628
Representing:			
Bank balances and cash		12,132,223	5,348,628

The notes on page 7 to 31 are an integral part of these unaudited condensed interim consolidated financial information.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

1 BASIS OF PREPARATION

The unaudited condensed interim consolidated financial information is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Listing Rules issued by the Hong Kong Stock Exchange (“HKEx”).

The unaudited condensed interim consolidated financial information should be read in conjunction with the 2005 annual financial statements for the year ended December 31, 2005.

The unaudited condensed interim consolidated financial information was approved by the Board of Directors for issue on August 23, 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended December 31, 2005, as described in the 2005 annual financial statements.

The following new standards, amendments to standards and interpretations which are applicable to the Group are mandatory for financial year ending December 31, 2006.

- Amendment to HKAS 19, “Actuarial gains and losses, group plans and disclosures”, effective for annual periods beginning on or after January 1, 2006. This amendment has no material impact to the Group’s accounting policy;
- Amendment to HKAS 39, Amendment to “The fair value option”, effective for annual periods beginning on or after January 1, 2006. This amendment does not have any impact on the classification and valuation of the Group’s financial instruments classified as at fair value through profit or loss prior to January 1, 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss;
- Amendment to HKAS 39 and HKFRS 4, Amendment “Financial guarantee contracts”, effective for annual periods beginning on or after January 1, 2006. The Group has reviewed its financial guarantee contracts. The management considered the adoption of the amendment will not result in a material effect on the Group’s 2006 consolidated financial statements;
- HKFRS 6, “Exploration for and evaluation of mineral resources”, effective for annual periods beginning on or after January 1, 2006. This amendment has no material impact to the Group’s accounting policy;

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- HK(IFRIC)-Int 4, "Determining whether an arrangement contains a lease", effective for annual periods beginning on or after January 1, 2006. The Group has reviewed its contracts. Some of them are required to be accounted for as leases in accordance with HKAS 17, "Leases". However, these leases are operating leases, and their reclassification has had no impact on the expense recognized in respect of them;
- HK(IFRIC)-Int 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds", effective for annual periods beginning on or after January 1, 2006. This interpretation does not have material impact on the Group's 2006 consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 8, "Scope of HKFRS 2", effective for annual periods beginning on or after May 1, 2006. Management is currently assessing the impact of HK(IFRIC)-Int 8 on the Group's operations;
- HK(IFRIC)-Int 9, "Reassessment of Embedded Derivatives", effective for annual periods beginning on or after June 1, 2006. Management believes that this interpretation should not have a significant impact on the Company's accounting policies as the Group already has assessed whether embedded derivative should be separated using principles consistent with HK(IFRIC)-Int 9;
- HKFRS 7, "Financial instruments: Disclosures", effective for annual periods beginning on or after January 1, 2007. HKAS 1, "Amendments to capital disclosures", effective for annual periods beginning on or after January 1, 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning January 1, 2007.

3 BUSINESS COMBINATION

In March 2006, the Group acquired 100% of the share capital of Fushun Aluminum Company Limited ("Fushun Aluminum"), a Company incorporated in the People's Republic of China (the "PRC") and principally engaged in the manufacture and trading of primary aluminum products, for a cash consideration of RMB500,000,000. The acquired business contributed revenues of RMB663,150,000 and net profit of RMB36,472,000 to the Group for the period from the date of acquisition to June 30, 2006. Had the acquisition been occurred on January 1, 2006, the acquired business would have contributed revenues of RMB753,136,000 and net profit of RMB37,828,000 to the Group for the period from January 1, 2006 to June 30, 2006, and consolidated revenue and consolidated net profit of the Group for the six months ended June 30, 2006 would have been RMB27,490,611,000 and RMB7,003,123,000, respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

3 BUSINESS COMBINATION (CONTINUED)

Details of net assets acquired and excess of cost over acquired interest are as follows:

	<i>RMB'000</i>
Purchase consideration – cash	500,000
Fair value of net identifiable assets acquired (see below)	<u>(501,373)</u>
Negative goodwill	<u><u>(1,373)</u></u>

The fair values of the assets and liabilities arising from the acquisition approximate their carrying amounts and are as follows:

	<i>RMB'000</i>
Cash and cash equivalents	1,392
Property, plant and equipment (Note 4)	832,546
Land use rights (Note 4)	194,175
Inventories	171,208
Receivables	5,826
Payables and accruals	(122,374)
Borrowings	<u>(581,400)</u>
Net identifiable assets acquired	<u><u>501,373</u></u>

	<i>RMB'000</i>
Purchase consideration settled in cash, paid as of June 30, 2006 (Note)	100,000
Cash and cash equivalents in subsidiary acquired	<u>(1,392)</u>
Cash out flow on acquisition	<u><u>98,608</u></u>

Note: As of June 30, 2006, cash consideration of RMB400,000,000 payable was included in other payables of the Group.

In addition to the above, the Company has entered into a number of purchase agreements to acquire equity interest in certain entities. As of June 30, 2006, these acquisitions were not completed due to pending approval from the relevant regulatory authorities (Note 19(c)).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

4 CAPITAL EXPENDITURE

	Intangible assets			Property, plant and equipment	Land use rights
	Goodwill	Mining rights	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount as of January 1, 2006	406,686	314,793	721,479	39,773,607	62,275
Acquisition of a subsidiary (Note 3)	—	—	—	832,546	194,175
Additions	—	—	—	4,239,492	7,766
Disposals	—	—	—	(12,369)	—
Amortization / depreciation charge for the period	—	(10,882)	(10,882)	(1,590,198)	(10,952)
Reclassification	—	(10,514)	(10,514)	—	—
Impairment losses	—	—	—	(19,708)	—
Net book amount as of June 30, 2006	<u>406,686</u>	<u>293,397</u>	<u>700,083</u>	<u>43,223,370</u>	<u>253,264</u>
Net book amount as of January 1, 2005	406,686	322,467	729,153	34,026,233	16,048
Additions	—	52,573	52,573	4,216,304	—
Disposals	—	—	—	(2,629)	—
Amortization / depreciation charge for the period	—	(21,495)	(21,495)	(1,211,537)	(150)
Impairment losses	—	—	—	(4,225)	—
Net book amount as of June 30, 2005	<u>406,686</u>	<u>353,545</u>	<u>760,231</u>	<u>37,024,146</u>	<u>15,898</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

5 ACCOUNTS RECEIVABLE, NET

	June 30, 2006 RMB'000	December 31, 2005 RMB'000
Trade receivables	669,730	457,556
Trade receivable from related parties	165,095	246,919
	834,825	704,475
Less: Provision for impairment	(441,739)	(454,853)
	393,086	249,622
Bills receivables (Note (a))	1,148,863	711,569
	1,541,949	961,191

The Group performs periodic credit evaluation on its customers and different credit policies are adopted for individual customers accordingly.

As of June 30, 2006, the aging analysis of trade receivables, net of provision made, was as follows:

	June 30, 2006 RMB'000	December 31, 2005 RMB'000
Within 1 month	230,926	112,013
Between 2 and 6 months	87,257	55,670
Between 7 and 12 months (Note (b))	38,967	39,973
Between 1 and 2 years (Note (b))	13,574	21,530
Over 2 years (Note (b))	22,362	20,436
	393,086	249,622

Notes:

- (a) Bills receivables are bills of exchange with maturity dates of within 6 months.
- (b) Trade receivables aged over 6 months are principally due from related parties.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

6 SHARE CAPITAL

On May 9, 2006, the Company entered into a placing agreement to place 600,000,000 H shares, representing approximately 5.43% of the existing issued shares of the Company, at a price of HK\$7.25 per share (the "Placement"). In connection with the Placement, the National Social Security Fund Council (the "NSSF") of the PRC entrusted the Company to effect a sale of a total of 44,100,000 H shares upon conversion of the same number of existing domestic shares that are to be allocated from Aluminum Corporation of China ("Chinalco") to NSSF as part of the Placement.

The Placement was completed on May 25, 2006. As a result, 600,000,000 new H shares were issued for a total net proceed of RMB4,390,449,000 (net of share issuance expense of RMB112,043,000), and total registered shares of the Company increased from 11,049,876,153 shares to 11,649,876,153 shares, comprising 7,705,910,185 domestic shares and 3,943,965,968 H shares. The net proceeds from the placement of the 44,100,000 shares were paid directly by the related investment banking firms to the NSSF pursuant to the placing agreement. Chinalco's equity interest in the Company decreased from 42.14% to 39.59% as a result of the Placement.

The Company intends to use the net proceeds for the funding of possible acquisitions of domestic primary aluminum projects and for general working capital purposes.

7 APPROPRIATIONS OF PROFIT

For the six months ended June 30, 2005 and 2006, the Company and its subsidiaries did not appropriate any amounts into the statutory surplus reserve.

Prior to January 1, 2006, the Board of Directors determined on an annual basis the percentage of the profit after tax, as determined under the PRC accounting standards and regulations, to be appropriated to the statutory public welfare fund. The statutory public welfare fund can only be utilized on capital items for the collective benefit of the Company's employees. Titles of these capital items will remain with the Company. This fund is non-distributable other than in liquidation. Starting from January 1, 2006 onward, the Company is prohibited from providing further appropriation out of net profit to statutory public welfare fund pursuant to the revised Company Law. The balance of statutory public welfare fund as at December 31, 2005 is converted into discretionary surplus reserve fund.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

8 BORROWINGS

	June 30, 2006 RMB'000	December 31, 2005 RMB'000
Non-current:		
Long-term bank loans (Note (a))	<u>9,729,419</u>	<u>9,690,493</u>
Current:		
Long-term bank loans (Note (a))	847,121	1,353,980
Short-term bank loans (Note (b))	1,934,340	2,378,998
Short-term bonds (Note (c))	<u>2,990,000</u>	<u>1,970,840</u>
	<u>5,771,461</u>	<u>5,703,818</u>
Total	<u>15,500,880</u>	<u>15,394,311</u>

(a) Long-term bank loans

	June 30, 2006 RMB'000	December 31, 2005 RMB'000
Non-current:		
Long-term bank loans – unsecured	8,831,019	9,690,493
Long-term bank loans – secured	<u>898,400</u>	<u>—</u>
	<u>9,729,419</u>	<u>9,690,493</u>
Current:		
Long-term bank loans – unsecured	825,521	1,353,980
Long-term bank loans – secured	<u>21,600</u>	<u>—</u>
	<u>847,121</u>	<u>1,353,980</u>
Total	<u>10,576,540</u>	<u>11,044,473</u>
Estimated fair value	<u>10,574,880</u>	<u>11,042,620</u>

The estimated fair value is estimated based on discounted cash flows using applicable discount rates from the prevailing market interest rates available to the Group for borrowings with substantially the same characteristics and maturity dates. The discount rates as of June 30, 2006 and December 31, 2005 were 4.0%.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

8 BORROWINGS (CONTINUED)

(a) Long-term bank loans (Continued)

As of June 30, 2006, long-term bank loans were guaranteed as follows:

Guaranteed by :	June 30, 2006 RMB'000	December 31, 2005 RMB'000
Chinalco	831,078	503,313
Shanxi Zhangze Electric Company Ltd (Note)	780,000	780,000
	1,611,078	1,283,313

Note: Shanxi Zhangze Electric Company Ltd. is a minority shareholder of Shanxi Huaze Aluminum and Power Company Ltd., a subsidiary of the Company.

As of June 30, 2006, a long-term bank loan of RMB920,000,000 was secured by a 220,000 tonnes aluminum production line of Shanxi Huasheng Aluminium Company Ltd. ("Shanxi Huasheng"), a subsidiary of the Company.

As of June 30, 2006 and December 31, 2005, the maturity of total long-term loans is as follows:

	June 30, 2006 RMB'000	December 31, 2005 RMB'000
Within one year	847,121	1,353,980
In the second year	2,324,202	1,929,140
In the third to fifth year	5,262,127	4,866,941
After the fifth year	2,143,090	2,894,412
	10,576,540	11,044,473

The effective long-term bank loan interest rates as of June 30, 2006 and December 31, 2005 ranged from 3.60% to 6.12% per annum and 3.60% to 6.12% per annum, respectively.

As of June 30, 2006 and December 31, 2005, except for long-term bank loans in the amounts of RMB9,380,000 and RMB9,313,000, respectively, which are dominated in Danish Krone, all other long-term bank loans are dominated in Chinese Renminbi.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

8 BORROWINGS (CONTINUED)

(b) Short-term bank loans

	June 30, 2006	December 31, 2005
	RMB'000	RMB'000
Secured short-term bank loans	368,200	—
Unsecured short-term bank loans	1,566,140	2,378,998
	<u>1,934,340</u>	<u>2,378,998</u>

As of June 30, 2006, secured short-term bank loans amounting to RMB120,000,000 arising from the acquisition of Fushun Aluminum by the Company (Note 3) were collateralized by time deposits in the amount of RMB120,000,000 of Fushun Aluminum Factory (parent company of Fushun Aluminum prior to the acquisition). The remaining RMB237,700,000 and RMB10,500,000 were secured by land use rights (Cost: RMB201,942,000; Net value RMB199,922,000) owned by Fushun Aluminum and a 220,000 tonnes aluminum production line owned by Shanxi Huasheng, respectively.

(c) Short-term bonds

In June 2005, the Company issued short-term bonds with a total face value of RMB2,000,000,000 at discount (face value RMB100 per unit) and maturity of one year for working capital. The effective interest rate of these bonds was 3.33% per annum. These short-term bonds have matured and were fully redeemed in June 2006.

In May 2006, the Company issued short-term bonds with a total face value of RMB3,000,000,000 at par (face value RMB100 per unit) and maturity of one year for working capital. The effective interest rate of these bonds is 3.53% per annum.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

9 ACCOUNTS PAYABLE

	June 30, 2006 <i>RMB'000</i>	December 31, 2005 <i>RMB'000</i>
Trade payables	2,225,887	2,584,557
Trade payable to related parties	85,401	54,526
	2,311,288	2,639,083
Bills payable (Note (a))	1,370	10,166
	2,312,658	2,649,249

As of June 30, 2006, the aging analysis of trade payables was as follows:

	June 30, 2006 <i>RMB'000</i>	December 31, 2005 <i>RMB'000</i>
Within 1 month	1,393,310	1,804,096
Between 2 and 6 months	739,339	639,520
Between 7 and 12 months	111,285	131,596
Between 1 and 2 years (Note (b))	29,478	22,806
Between 2 and 3 years (Note (b))	3,353	7,279
Over 3 years (Note (b))	34,523	33,786
	2,311,288	2,639,083

Notes:

- (a) Bills payable are repayable within 6 months.
- (b) Trade payables aged over 1 year are principally due to related parties.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

10 SALES, OTHER REVENUES AND SEGMENT INFORMATION

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

	Six months ended June 30,	
	2006	2005
	RMB'000	RMB'000
Sales		
Sales of goods, net of value-added tax	<u>27,400,625</u>	<u>17,848,749</u>
Other revenues		
Sale of scrap and other materials	153,633	98,474
Supply of electricity, heat, gas and water	171,962	147,601
Rendering of services (Note (a))	<u>70,797</u>	<u>25,516</u>
Total other revenues	396,392	271,591
Expenses related to other revenues (Note (b))	<u>(396,456)</u>	<u>(258,410)</u>
	(64)	13,181
Other gains		
Interest income	74,093	45,593
Income from unlisted investments	—	4,550
Government subsidies	—	1,678
Fair value gain on investments, net	112,411	18,311
Present value adjustment on other financial assets and liabilities, net	—	9,972
Others	<u>(11)</u>	<u>(63)</u>
	186,493	80,041
Other revenues and gains, net	<u>186,429</u>	<u>93,222</u>

Notes:

- (a) Rendering of services mainly comprises revenues from provision of transportation, machinery processing and production design services.
- (b) Expenses related to other revenues mainly include the cost of scrap and other materials sold and costs incurred in the supply of electricity, heat, gas and water.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

10 SALES, OTHER REVENUE AND SEGMENT INFORMATION (CONTINUED)

Primary reporting format - business segments

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

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

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

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

	Six months ended June 30, 2006				
	Alumina RMB'000	Primary aluminum RMB'000	Corporate and other services RMB'000	Inter- segment elimination RMB'000	Group total RMB'000
Sales					
External sales	14,620,318	12,550,727	229,580	—	27,400,625
Inter-segment sales	5,020,629	—	—	(5,020,629)	—
	<u>19,640,947</u>	<u>12,550,727</u>	<u>229,580</u>	<u>(5,020,629)</u>	<u>27,400,625</u>
Operating profit (loss) /					
Segment results	8,635,848	1,566,008	(34,463)	(98,778)	10,068,615
Unallocated expenses					(214,924)
Finance costs					(321,791)
Share of profit of					
an associated company	—	33,337	—	—	33,337
Profit before income taxes					9,565,237
Income taxes					(2,563,470)
Profit for the period					<u>7,001,767</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

10 SALES, OTHER REVENUE AND SEGMENT INFORMATION (CONTINUED)

Primary reporting format - business segments (Continued)

	Six months ended June 30, 2005				
	Alumina RMB'000	Primary Primary aluminum RMB'000	Corporate and other services RMB'000	Inter- segment elimination RMB'000	Group total RMB'000
External sales	11,108,418	6,682,044	58,287	—	17,848,749
Inter-segment sales	2,298,870	—	—	(2,298,870)	—
	<u>13,407,288</u>	<u>6,682,044</u>	<u>58,287</u>	<u>(2,298,870)</u>	<u>17,848,749</u>
Operating profit (loss) / Segment results	5,222,924	170,269	(41,872)	(43,872)	5,307,449
Unallocated expenses					(115,857)
Finance costs					(181,370)
Share of profit of an associated company	—	7,798	—	—	7,798
Share of loss of jointly controlled entities	—	(1,094)	—	—	(1,094)
Profit before income taxes					5,016,926
Income taxes					(1,334,374)
Profit for the period					<u>3,682,552</u>

Secondary reporting format - geographical segments

Substantially all operations of the Group are carried out in the PRC and the related assets are located there. The PRC market is considered as one geographical location in an economic environment with similar risks and returns.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

11 SELLING AND DISTRIBUTION EXPENSES

	Six months ended June 30,	
	2006	2005
	RMB'000	RMB'000
Transportation and loading	261,117	180,623
Packaging expenses	86,805	74,051
Miscellaneous port expenses	14,836	16,327
Salaries and welfare expenses	13,323	14,362
Sales commission and other handling fee	8,887	14,281
Others	25,026	19,851
	<u>409,994</u>	<u>319,495</u>

12 GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended June 30,	
	2006	2005
	RMB'000	RMB'000
Taxes other than income taxes (Note)	304,984	194,753
Salaries and welfare expenses	267,547	217,186
Repairs and maintenance	69,034	7,747
Rental expenses	67,252	41,938
Insurance premium	54,585	20,694
Traveling and entertainment	47,931	31,967
Utilities and social services	45,592	11,202
Depreciation – non production property, plant and equipment	45,315	37,953
Amortization – land use rights	10,952	150
Consultation fees	30,466	26,462
Office supplies	15,581	11,061
Others	47,375	5,703
	<u>1,006,614</u>	<u>606,816</u>

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 value-added tax and business tax payable which are actually paid.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

13 FINANCE COSTS

	Six months ended June 30,	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Total finance cost incurred	422,550	330,794
Less: Interest being capitalized in construction in progress	<u>(106,821)</u>	<u>(148,446)</u>
	315,729	182,348
Less: exchange loss / (gain), net	<u>6,062</u>	<u>(978)</u>
	<u><u>321,791</u></u>	<u><u>181,370</u></u>

14 EXPENSES CHARGED (CREDITED) TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

	Six months ended June 30,	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	1,527,887	1,188,924
Operating lease rentals in respect of land and buildings	193,184	180,228
Amortization of land use rights	10,952	150
Amortization of mining rights	10,882	21,495
Loss / (gain) on disposal of property, plant and equipment	3,851	(464)
(Provision written-back) / provision for slow-moving and obsolete inventories	<u>(363)</u>	<u>109</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

15 TAXATION

	Six months ended June 30,	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Current taxation:		
PRC enterprise income tax	2,610,362	1,327,114
Over provision in prior periods	(47,329)	(6,588)
Deferred income tax	437	13,848
	<u>2,563,470</u>	<u>1,334,374</u>

The current PRC enterprise income taxes of the Group have been provided on the estimated assessable profit and the appropriate tax rates for the period. Certain branches of the Group located in western regions of the PRC were granted a tax concession to pay PRC income tax at a preferential rate of 15% for a period of 10 years. A subsidiary located in Qinghai Province is exempted for PRC income tax for the first 5 years and a 50% reduction thereafter. Moreover, the Group also enjoyed the 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. For the six months ended June 30, 2006 and 2005, the Group's weighted average actual tax rate was approximately 26.8% and 26.6%, respectively.

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

16 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended June 30, 2006 and 2005 is based on the profit attributable to the equity holder of the Company for the six months ended June 30, 2006 and 2005 of RMB6,743,648,000 and RMB3,553,817,000 and the weighted average outstanding number of 11,217,089,268 and 11,049,876,153 shares in issue during the period, respectively.

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

17 DIVIDENDS

A 2005 final dividend of RMB0.21 (2004 final: RMB0.18) per ordinary share, totaling RMB2,364,673,000 was paid in May 2006 (paid in 2005: RMB1,944,778,000).

An interim dividend of RMB0.188 per ordinary share, totaling RMB2,190,177,000 (2005 interim: Nil) in respect of the six months ended June 30, 2006 was declared at the Board meeting held on August 23, 2006. This proposed dividend is not accounted for as dividend payable, but has been reflected as an appropriation of retained earnings for the six months ended June 30, 2006.

18 CONTINGENT LIABILITIES

- (a) 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 an alumina and primary aluminum production facilities in the Company's Guangxi branch (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\$7,500,000 to the other party as compensation.

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 China National Development and Reform Commission.

As of June 30, 2006, 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.

- (b) The Company's subsidiary, Fushun Aluminum has signed Guaranteed Contracts with Bank of China, Fushun Branch and Bank of Construction, Fushun Wanghua sub-branch to guarantee certain banking facilities not exceeding RMB47,000,000 and RMB30,000,000, respectively, granted to Fushun Jinhua (Group) Company Ltd. ("Fushun Jinhua") for the period from January 16, 2006 to January 15, 2007. As of June 30, 2006, the outstanding guarantee by Fushun Aluminum amounted to RMB29,000,000.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

19 COMMITMENTS

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

	June 30, 2006	December 31, 2005
	RMB'000	RMB'000
Contracted but not provided for	1,349,709	560,600
Authorized but not contracted for	7,921,537	8,465,177
	9,271,246	9,025,777

(b) *Commitments under operating leases*

The Group had future aggregate minimum lease payments in relation to land and buildings under non-cancelable operating leases as follows:

	June 30, 2006	December 31, 2005
	RMB'000	RMB'000
Not later than one year	314,277	315,454
Later than one year and not later than five years	1,072,160	1,138,518
Later than five years (Note)	9,386,385	9,546,886
	10,772,822	11,000,858

Note: These represent mainly commitments under operating leases in relation to land later than 5 years but not later than 44 years.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

19 COMMITMENTS (CONTINUED)

(c) Commitments for capital contribution

The Group had the following commitments for capital investments as of June 30, 2006:

	June 30, 2006 RMB'000
Guangxi Huayin Aluminum Company Ltd. (i)	324,784
Chalco Zunyi Alumina Company Ltd. (ii)	750,400
Zunyi Aluminum Company Ltd. (iii)	219,000
Jiaozuo Wanfang Aluminum Manufacturing Company Ltd. (iv)	247,000
	<u>1,541,184</u>

Notes:

- (i) Pursuant to a resolution of Guangxi Huayin Aluminum Company Ltd ("Guangxi Huayin"), a 33% owned jointly controlled entity of the Company, on June 19, 2005, and a supplemental agreement dated July 31, 2005, the total investment in Guangxi Huayin is planned to increase to approximately RMB8,491,000,000, of which approximately RMB2,133,000,000 will be contributed by the shareholders in terms of capital. The shareholders, including the Company, have agreed to inject the capital in three installments on 2005, 2006 and 2007.

According to the agreement signed among the shareholders of Guangxi Huayin, the Company agrees to contribute approximately RMB701,000,000 as registered capital of Guangxi Huayin. As of June 30, 2006, the Group had contributed capital of approximately RMB376,216,000 to Guangxi Huayin.

- (ii) In April 2006, the Company entered into a joint venture agreement with Guizhou Wujiang Hydropower Development Company Ltd to establish a joint venture company, Chalco Zunyi Alumina Company Ltd ("Zunyi Alumina"), which will be engaged in the production of alumina. The joint venture company will have registered capital of RMB1,400,000,000, of which the Company will contribute 67% or RMB938,000,000, representing its holding equity interest in the joint venture company. As of June 30, 2006, the Company has contributed approximately RMB187,600,000 into Zunyi Alumina.
- (iii) In June 2006, the Company entered into purchase agreement with Wujiang Hydropower Development Corporation Ltd and eight other companies to acquire 66.4% equity interest in Zunyi Aluminum Company Ltd for a cash consideration of RMB219,000,000. As of June 30, 2006, no payment was made by the Company in connection with this transaction.
- (iv) In May 2006, the Company entered into a purchase agreement with Jiaozuo City Wanfang Group Company Ltd to acquire 29% equity interests of Jiaozuo Wanfang Aluminum Company Ltd ("Jiaozuo Wanfang") for a cash consideration of RMB247,000,000. Jiaozuo Wanfang, being a joint stock limited company with its shares listed on the Shenzhen Stock Exchange, is mainly engaged in the production of primary aluminum. As of June 30, 2006, no payment was made by the Company in connection with this transaction.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

20 RELATED PARTY TRANSACTIONS

Related parties to the Company mainly refer to (i) Chinalco, the Company's major shareholder and a state-owned enterprise; (ii) entities in which Chinalco has the ability, directly or indirectly, to control or jointly control the other party, or exercise significant influence over the other party in making financial and operating decisions; (iii) Directors or officers of the Company and of its major shareholder; and (ix) jointly controlled entities and associated companies of the Company.

In accordance with the revised HKAS 24, "Related Party Disclosures", state-owned enterprises and their subsidiaries which are directly or indirectly controlled by the PRC government are also defined as related parties of the Group.

Given that the PRC government still owns a significant portion of the productive assets in the PRC despite the continuous reform of the governments structure, the majority of the Group's business activities had been conducted with state-owned enterprises in the ordinary course of business.

For the purpose of the related party transactions disclosure in accordance with HKAS 24, the management of the Company has established procedures to determine, to the extent possible, the identification of the ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have a multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, management believes that all material related party transactions have been adequately disclosed.

Neither Chinalco nor the PRC government publishes financial statements for public use.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions with Chinalco

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

	Note	Six months ended June 30,	
		2006 RMB'000	2005 RMB'000
Sales of materials and finished goods to Chinalco	(I)	<u>2,229,543</u>	<u>1,288,762</u>
Provision of utility services to Chinalco	(II)	<u>167,449</u>	<u>248,997</u>
Provision of engineering, construction and supervisory services by Chinalco	(III)	<u>501,401</u>	<u>945,681</u>
Purchases of key and auxiliary materials from Chinalco	(IV)	<u>464,052</u>	<u>327,825</u>
Provision of social services and logistics services by Chinalco	(V)	<u>725,657</u>	<u>457,105</u>
Land and building rental charged by Chinalco	(VI(i))	<u>128,657</u>	<u>126,615</u>
Headquarter office rental charged by Chinalco	(VI(ii))	<u>25,220</u>	<u>18,915</u>

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions with Chinalco (Continued)

Notes:

- (I) Materials and finished goods sold during the six months ended June 30, 2006 and 2005 mainly comprised sales of alumina, primary aluminum and scrap materials. Transactions entered into during the periods were as 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 ("Stated-prescribed price");
 - (ii) If there is no State-prescribed price then adoption of State-guidance price;
 - (iii) If there is neither State-prescribed price nor State-guidance price, then adoption of market price (being price charged to and from independent third parties); and
 - (iv) If none of the above is available, then adoption of a contractual price (being reasonable costs incurred in providing the relevant services plus not more than 5% of such costs).
- (II) Utility services, including electricity, gas, heat and water, are supplied at the pricing policy as set out in (I)(i) above.
- (III) Engineering, project construction and supervisory services were provided by Chinalco to the Company mainly for construction projects during the period using market price. Provisions of these services are covered by the Provision of Engineering, Construction and Supervisory Services Agreement. The State-guidance price or prevailing market price (including tender price where by way of tender) as set out in (I)(ii) is adopted for pricing purposes.
- (IV) Purchases of key and auxiliary materials (including bauxite, limestone, carbon, cement, coal) from Chinalco are covered by the General Agreement on Mutual Provision of Production Supplies and Ancillary Services and Mineral Supply Agreement. The pricing policy is the same as that set out in (I) above.
- (V) Social services and logistics services were provided by Chinalco 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, canteens, guesthouses and offices, public transport and retirement management, and other services. Provisions of these services are covered by the Comprehensive Social and Logistics Services Agreement entered into between the Company and Chinalco. The pricing policy is the same as that set out in (I) above.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant related party transactions with Chinalco (Continued)

Notes: (Continued)

(VI) Rental fee is payable to Chinalco:

- (i) For use of land, inclusive of land for industrial or commercial purposes, occupied and used by the Company during the period covered by the Land Use Rights Leasing Agreement entered into between the Company and Chinalco. The annual rent payable is approximately RMB240,000,000. Occupancy of the land and buildings by a subsidiary of the Company, Shanxi Huatai Carbon Company Ltd's (山西華泰) for production and office use according to the rental agreement signed by Shanxi Huatai Coal Company Ltd and Chinalco. The annual rent payable is approximately RMB11,000,000.
- (ii) For use of property as office premises according to the rental agreement signed in March 2005. The annual rent payable is approximately RMB62,000,000.

As of June 30, 2006, there existed the following arrangements between the Group and Chinalco:

- (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.
- (ii) The Company granted to Chinalco a non-exclusive right to use two trademarks for period of 10 years from July 1, 2001 to June 30, 2011 at no cost pursuant to the Trademark License Agreement. The Company will be responsible for the payment of a total annual fee of no more than RMB1,000 to maintain effective registration. Under the terms of the agreement, Chinalco may negotiate extension upon terms to be agreed upon.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party transactions with other related parties:

	Six months ended June 30,	
	2006	2005
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of materials and finished goods to:		
Jointly controlled entities	11,109	53,062
Associated companies	571,895	340,845
Guangxi Investment (Group) Company Ltd.	78,524	42,388
Other related parties	44,003	—
	<u>705,531</u>	<u>436,295</u>

Notes:

Materials and finished goods sold to other related parties during the six months ended June 30, 2006 and 2005 mainly comprised sales of alumina, primary aluminum and scrap materials. The pricing policy is summarized below:

- (i) Adoption of the price prescribed by the PRC government ("Stated-prescribed price");
- (ii) If there is no State-prescribed price then adoption of State-guidance price;
- (iii) If there is neither State-prescribed price nor State-guidance price, then adoption of market price (being price charged to and from independent third parties); and
- (iv) If none of the above is available, then adoption of a contractual price (being reasonable costs incurred in providing the relevant services plus not more than 5% of such costs).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

20 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Significant related party transactions with other state-owned enterprises:

	Six months ended June 30,	
	2006	2005
	RMB'000	RMB'000
Purchases of electricity	3,652,734	1,973,554
Sale of alumina	9,948,261	6,488,785
Sale of primary aluminum	4,055,503	406,995
Purchases of raw materials	7,798,257	1,066,696
Construction in progress and construction materials	581,215	503,489
New loans borrowed	1,066,471	3,443,082
Replacement of borrowing	3,760,462	2,533,387
Interest income received	74,093	45,593
Insurance premium	54,585	20,694
Bank charges paid	424,403	338,934
Issuance of short-term bonds	2,988,000	1,945,567
Redemption of short-term bonds	2,000,000	—

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

21 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On July 14, 2006, the Company entered into a purchase agreement with Linyi Jiangtai Aluminum Company Ltd. and Shandong Huasheng Jiangquan Thermal and Power Company Ltd. to acquire a total of 55% equity interest of Shandong Huayu Aluminum and Power Company Ltd. ("Huayu Aluminum and Power") for a total cash consideration of RMB412,000,000. Huayu Aluminum and Power is mainly engaged in the production of primary aluminum.

On August 11, 2006, the Company entered into a purchase agreement with Baiyin Nonferrous Metal (Group) Co. Ltd and Baiyin Honglu Aluminum Company Ltd ("Baiyin Honglu") to acquire 51% equity interest of Gansu Hualu Aluminum Company Ltd. ("Hualu Aluminum") held by Baiyin Honglu at a total cash consideration of RMB270,000,000. Hualu Aluminum is mainly engaged in the production of primary aluminum.

In August 2006, the Company completed the acquisition of Zunyi Aluminum (Note 19(c)(iii)).

SUPPLEMENTARY INFORMATION (UNAUDITED)

SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG AND IN THE UNITED STATES

The unaudited condensed interim consolidated financial information has been prepared in accordance with accounting principles generally accepted in Hong Kong ("HK GAAP") which may differ in various material respects from accounting principles generally accepted in the United States ("US GAAP").

Major and significant differences, which affect net income and equity, include the following:

(a) *Revaluation of property, plant and equipment*

Under HK GAAP, property, plant and equipment transferred from Chinalco to the Group were accounted for under the acquisition accounting. As a result, the Group's property, plant and equipment were revalued at fair value under HK GAAP. Under US GAAP, the new cost basis for the property, plant and equipment 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.

(b) *Revaluation of mining rights*

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 US GAAP, the new cost basis was not established for the Group as the transfer was a transaction under common control.

(c) *Minority interests*

Under HK GAAP, minority interests are presented on the face of the profit and loss account of the portion of profit and loss attributable to the minority interest and to the equity holders of the Company and presented as a component of equity. Under US GAAP, the allocation amounts are not presented as a component of net income or loss and minority interests are not presented as a component of equity.

(d) *Income tax effect of US GAAP adjustments*

Under US GAAP, a deferred tax liability relating to the addition of the interest capitalization effect and deferred tax assets relating to the reversal of the property, plant and equipment revaluation, goodwill amortization and mining rights are recognized.

SUPPLEMENTARY INFORMATION (UNAUDITED) (CONTINUED)

SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG AND IN THE UNITED STATES (CONTINUED)

The net effects on net income attributable to the equity holders of the Company and basic net income per share of the Group for the six months ended June 30, 2006 and equity as of June 30, 2006, after taking account of the above differences and related income tax effect, are a net increase in net income of approximately RMB103,371,000 (six months ended June 30, 2005: RMB103,371,000), an increase in basic net income per share of approximately RMB0.01 (six months ended June 30, 2005: RMB0.01) and a net decrease in equity of approximately RMB4,131,984,000 (December 31, 2005: RMB3,421,172,000) respectively. In computing the net effects, the Directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the estimates of revenue and expenses. Accounting estimates have been employed to determine reported amounts, including realizability, useful lives of tangible assets and income taxes. Actual results could differ from those estimates.

RECENT US ACCOUNTING PRONOUNCEMENTS

In July 2006, the financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109" ("FIN48"), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Company recognizes in its financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for the Company on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on its consolidated financial position, cash flows and results of operations.