

ALUMINUM CORP OF CHINA LTD
Form 6-K
April 12, 2006

1934 ACT FILE NO. 001-15264

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of March 2006.

Aluminum Corporation of China Limited

(Translation of Registrant's name into English)

No. 12B Fuxing Road
Haidian District, Beijing
People's Republic of China 100814
(Address of principal executive offices)

[Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.]

Form 20-F Form 40-F

[Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes No

[If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____]

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Aluminum Corporation of China Limited
(Registrant)

Date April 12, 2006

By /s/ Liu Qiang
Name: Liu Qiang
Title: Company Secretary

Certain statements contained in this announcement may be regarded as "forward-looking statements" within the meaning of the U.S. Securities Exchange Act of 1934, as amended. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company's filings with the U.S. Securities and Exchange Commission. The forward-looking statements included in this announcement represent the Company's views as of the date of this announcement. While the Company anticipates that subsequent events and developments may cause the Company's views to change, the Company specifically disclaims any obligation to update these forward-looking statements, unless required by applicable laws. These forward-looking statements should not be relied upon as representing the Company's views as of any date subsequent to the date of this announcement.

Aluminum Corporation of China Limited*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2600)

ANNOUNCEMENT OF 2005 ANNUAL RESULTS

HIGHLIGHTS

- * Consolidated turnover amounted to RMB37,110 million, an increase of 14.85% over 2004.
- * Consolidated profit attributable to the equity holders of the Company for the year was RMB7,022 million, an increase of 9.86% over 2004.
- * Consolidated earnings per share for profit attributable to equity holders of the Company was RMB0.64, an increase of 10.34% over 2004.
- * The Board of Directors of the Company proposed to declare a final dividend of RMB0.214 per share for 2005 and the proposal

will be submitted to the Annual General Meeting for review and approval.

The Board of Directors of Aluminum Corporation of China Limited (Chinese Character) ("the Company") is pleased to announce the audited annual results of operations of the Company and its subsidiaries (together as "the Group") for the year ended December 31, 2005.

CORPORATE INFORMATION

General information of the Company are listed as follows:

| | | |
|---|---|---|
| Registered name | : | (Chinese Character) |
| Name in English | : | Aluminum Corporation of China Limited |
| Registered address | : | No. 12B Fuxing Road Haidian District, Beijing People's Republic of China 100814 |
| Place of business | : | No. 12B Fuxing Road Haidian District, Beijing People's Republic of China 100814 |
| Principal place of business in Hong Kong | : | Unit 3103, 31/F., Office Tower, Convention Plaza 1 Harbour Road Wanchai, Hong Kong |
| Authorised representative | : | Xiao Yaqing |
| Company Secretary | : | Liu Qiang |
| Department for corporate information and inquiry | : | Secretarial Office to the Board |
| Telephone for corporate information and inquiry | : | 86-10-6398 5654 |
| Places of listing | : | The Stock Exchange of Hong Kong Limited ("HKSE") New York Stock Exchange, Inc ("NYSE") |
| Name of share | : | Chalco |
| Stock code | : | 2600 (HKSE) ACH (NYSE) |

PRINCIPAL ACTIVITIES

The Group is the largest producer of alumina and primary aluminum in the People's Republic of China (the "PRC").

The principal activities of the Group are the production and sales of alumina and primary aluminum. Its principal products include alumina, primary aluminum, gallium and carbon.

RESULTS

The consolidated turnover and other revenues of the Group for 2005 amounted to RMB37,110 million, representing an increase of 14.85% over the previous year. The consolidated profit attributable to equity holders of the Company

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for the year was RMB7,022 million, representing an increase of 9.86% over the previous year. Consolidated earnings per share for profit attributable to the equity holders of the Company was RMB0.64, representing an increase of 10.34% over the previous year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2005

| | | 2005 | As restated 2004 |
|--|------|------------|---------------------|
| | Note | RMB'000 | RMB'000 |
| Turnover | 3 | 37,110,319 | 32,313,076 |
| Cost of goods sold | | 24,822,109 | 21,503,250 |
| | | <hr/> | <hr/> |
| Gross profit | | 12,288,210 | 10,809,826 |
| Other gains, net | 3 | 116,441 | 101,293 |
| | | <hr/> | <hr/> |
| Selling and distribution expenses | 4 | 686,717 | 647,532 |
| General and administrative expenses | 5 | 1,523,317 | 1,220,902 |
| Research and development expenses | | 113,381 | 132,635 |
| | | <hr/> | <hr/> |
| Operating profit | | 10,081,236 | 8,910,050 |
| Finance costs | 6 | 366,908 | 109,948 |
| | | <hr/> | <hr/> |
| Operating profit after finance costs | | 9,714,328 | 8,800,102 |
| Share of profit of an associated company | | 26,947 | - |
| Share of profit (loss) of jointly controlled entities | | 372 | (3,953) |
| | | <hr/> | <hr/> |
| Profit before income taxes | | 9,741,647 | 8,796,149 |
| Income taxes | 8 | 2,495,213 | 2,161,086 |
| | | <hr/> | <hr/> |
| Profit after income taxes | | 7,246,434 | 6,635,063 |
| | | <hr/> | <hr/> |
| Attributable to: | | | |
| Equity holders of the Company | | 7,022,422 | 6,391,523 |
| Minority interest | | 224,012 | 243,540 |
| | | <hr/> | <hr/> |
| | | 7,246,434 | 6,635,063 |
| | | <hr/> | <hr/> |
| Dividends | | 2,364,673 | 1,944,778 |

| | | | |
|---|----|---------|---------|
| Basic earnings per share for profit attributable to the equity holders of the Company | 10 | RMB0.64 | RMB0.58 |
|---|----|---------|---------|

CONSOLIDATED BALANCE SHEET

As of December 31, 2005

| | Note | 2005 RMB'000 | As restated 2004 RMB'000 |
|---|------|-------------------|--------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | | 721,479 | 729,153 |
| Property, plant and equipment | | 39,773,607 | 34,026,233 |
| Land use rights | | 62,275 | 16,048 |
| Interest in jointly controlled entities | | 184,399 | 66,877 |
| Interest in associated companies | | 886,375 | 45,000 |
| Investments in securities | | - | 10,800 |
| Available-for-sale financial assets | | 10,200 | - |
| Deferred tax assets | | 408,874 | 307,370 |
| Total non-current assets | | 42,047,209 | 35,201,481 |
| Current assets | | | |
| Inventories | | 7,234,731 | 5,231,907 |
| Accounts receivable, net | 11 | 961,191 | 1,965,127 |
| Other current assets | 12 | 1,169,021 | 935,791 |
| Cash and cash equivalents | | 7,597,727 | 6,223,763 |
| Total current assets | | 16,962,670 | 14,356,588 |
| Total assets | | 59,009,879 | 49,558,069 |
| Equity | | | |
| Share capital and reserves | | | |
| Share capital | | 11,049,876 | 11,049,876 |
| Reserves | | 10,242,615 | 8,696,143 |

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| | | | |
|---|----|------------|------------|
| Retained earnings | | | |
| Proposed dividend | | 2,364,673 | 1,944,778 |
| Unappropriated retained earnings | | 8,987,275 | 5,875,998 |
| | | <hr/> | <hr/> |
| Attributable to equity holders of the Company | | 32,644,439 | 27,566,795 |
| Minority interest | | 1,560,455 | 1,239,083 |
| | | <hr/> | <hr/> |
| Total equity | | 34,204,894 | 28,805,878 |
| | | <hr/> | <hr/> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term loans | | 9,690,493 | 7,391,663 |
| Deferred tax liabilities | | 176,991 | 167,054 |
| | | <hr/> | <hr/> |
| Total non-current liabilities | | 9,867,484 | 7,558,717 |
| | | <hr/> | <hr/> |
| Current liabilities | | | |
| Accounts payable | 13 | 2,649,249 | 2,047,831 |
| Other payables and accruals | 14 | 5,585,317 | 5,544,567 |
| Taxation payable | | 999,117 | 1,078,508 |
| Current portion of long-term loans | | 1,353,980 | 1,073,658 |
| Unsecured short-term bank loans | | 2,378,998 | 3,448,910 |
| Short-term bonds | | 1,970,840 | - |
| | | <hr/> | <hr/> |
| Total current liabilities | | 14,937,501 | 13,193,474 |
| | | <hr/> | <hr/> |
| Total liabilities | | 24,804,985 | 20,752,191 |
| | | <hr/> | <hr/> |
| Total equity and liabilities | | 59,009,879 | 49,558,069 |
| | | <hr/> | <hr/> |
| Net current assets | | 2,025,169 | 1,163,114 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 44,072,378 | 36,364,595 |
| | | <hr/> | <hr/> |

NOTES

1. Basis of preparation

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of 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 financial assets at fair value through profit or loss, available-for-sale financial assets and futures contracts are stated at fair value and held-to-maturity securities are stated at amortized cost.

The Group has changed certain of its accounting policies following its adoption of new / revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRS") which are effective for accounting periods commencing on or after January 1, 2005. The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 2 below.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

2. Effect of adopting new / revised HKFRS

In 2005, the Group adopted the following new / revised standards and interpretations of HKFRS, which are relevant to its operations. The 2004 comparatives have been reclassified / restated as required, in accordance with the relevant requirements.

| | |
|-------------|---|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 23 | Borrowing Costs |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 28 | Investments in Associates |
| HKAS 31 | Investments in Joint Ventures |
| HKAS 32 | Financial Instruments: Disclosures and Presentation |
| HKAS 33 | Earnings per Share |
| HKAS 36 | Impairment of Assets |
| HKAS 38 | Intangible Assets |
| HKAS 39 | Financial Instruments: Recognition and Measurement |
| HKAS-Int 12 | Scope of HKAS - Int 12 Consolidation - Special Purpose Entities |
| HKAS-Int 15 | Operating Leases - Incentives |
| HKFRS 3 | Business Combinations |

| | |
|-------------|--|
| HKFRS 4 | Insurance Contracts |
| HKFRS Int-1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |

The adoption of new / revised HKASs 1, 2, 7, 8, 10, 16, 21, 24, 27, 28, 31, 33, HKAS-Int 12, HKAS-Int 15, HKFRS 4 and HKFRS-Int 1 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and jointly controlled entities and other disclosures.
- HKASs 2, 7, 8, 10, 16, 27, 28, 31, 33, HKAS-Int 12, HKAS-Int 15, HKFRS 4 and HKFRS-Int 1 had no material effect on the Group's accounting policies.
- HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency (Chinese Renminbi ("RMB")) as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.

HKAS 17 has affected the property, plant and equipment and land use rights disclosures. Land use rights and property, plant and equipment are separately disclosed under the new requirement. The up-front prepayments made for the land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease. In prior years, land use rights were stated at cost less accumulated amortization and accumulated impairment loss.

The adoption of HKAS 23 has resulted in a change in accounting policy relating to the capitalization of borrowing costs. Borrowing costs capitalized are those costs that would have been avoided if the expenditure on the qualifying asset had not been made, which are either the actual costs incurred on a specific borrowing or an amount calculated using the weighted average method, considering all the general borrowings outstanding. In prior years, borrowing costs were capitalized to the extent that funds are borrowed specially for the purpose of obtaining a qualifying asset.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until December 31, 2004, goodwill was:

- Amortized on a straight-line basis over a period not more than 20 years; and
- Assessed for impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- The Group ceased amortization of goodwill from January 1, 2005;
- Accumulated amortization has been eliminated against cost as of December 31, 2004;
-

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From January 1, 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment. Any impairment loss will be charged to the consolidated profit and loss account directly.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKFRS 3 and HKAS 38 - prospectively after the adoption date
 - HKAS 39 - does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practices No. 24 ("SSAP 24") "Accounting for investments in securities" to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at January 1, 2005.
- (i) The adoption of HKFRS 3 and HKAS 38 has resulted in:

| | As of December 31, 2005 RMB'000 |
|---|--|
| Increase in intangible assets | 24,648 |
| Increase in retained earnings | 24,648 |
| | <hr/> |
| | For the year ended December 31, 2005 RMB'000 |
| Decrease in general and administrative expenses | (24,648) |
| Increase in basic earnings per share | RMB0.002 |
| | <hr/> |

- (ii) The adoption of HKAS 17 has resulted in:

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| | As of December 31, 2005 RMB'000 | As of December 31, 2004 RMB'000 | |
|--|--|--|--|
| Increase in land use rights | 62,275 | 16,048 | |
| Decrease in property, plant and equipment | (62,275) | (16,048) | |
| | <hr/> | <hr/> | |
| (iii) The adoption of HKAS 23 has resulted in: | | | |
| | As of December 31, 2005 RMB'000 | As of December 31, 2004 RMB'000 | As of January 1, 2004 RMB'000 |
| Increase in property, plant and equipment | 609,412 | 577,706 | 328,575 |
| Increase in deferred tax liabilities | 176,991 | 167,054 | 85,506 |
| Increase in retained earnings | 432,421 | 410,652 | 243,069 |
| | <hr/> | <hr/> | <hr/> |
| | For the year ended December 31, 2005 RMB'000 | For the year ended December 31, 2004 RMB'000 | |
| Decrease in finance costs | (70,904) | (288,192) | |
| Increase in depreciation of property, plant and equipment | 39,198 | 39,061 | |
| Increase in income tax | 9,938 | 81,548 | |
| Increase in basic earnings per share | RMB0.004 | RMB0.02 | |
| | <hr/> | <hr/> | |
| (iv) The adoption of HKAS 39 resulted in: | | | |
| | As of December 31, 2005 RMB'000 | | |
| Increase in available-for-sale financial assets | 10,200 | | |
| Decrease in non-trading securities | (10,200) | | |

The adoption of HKAS 32 and HKAS 39 did not have any effect on the basic earnings per share.

The adoption of HKFRS 3 and HKAS 38 did not affect the unappropriated retained earnings as at January 1, 2004.

The Group has not early adopted the following new Standards or Interpretations which are relevant to the operation of the Group that have been issued but are not yet effective. It is expected that the adoption of such Standards or Interpretations will not expect to result in substantial changes to the Group's accounting policies.

| | |
|---------------------|--|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 39 (Amendment) | Transition and Initial Recognition of Financial Assets and Financial Liabilities |
| HKFRS 6 | Exploration for and Evaluation of Mineral Resources |
| HKFRS 7 | Financial Instruments: Disclosures |
| HKFRS- Int 4 | Determining whether an Arrangement contains a Lease |
| HKFRS | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |

3. Turnover, revenue and segment

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

| | For the year ended December 31, | |
|--|------------------------------------|-----------------|
| | 2005 RMB'000 | 2004 RMB'000 |
| Turnover | | |
| Sales of goods, net of value-added tax | 37,110,319 | 32,313,076 |
| Other revenues | | |
| Sales of scrap and other materials | 303,200 | 339,585 |
| Supply of electricity, heat, gas and water | 298,756 | 273,537 |
| Rendering of services (Note (a)) | 114,211 | 33,145 |
| Interest income | 89,363 | 61,540 |
| Income from held-to-maturity investments | 193 | 351 |
| Total other revenues | 805,723 | 708,158 |

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| | | |
|---|-----------|-----------|
| Expenses related to other revenues (Note (b)) | (720,446) | (592,630) |
| | <hr/> | <hr/> |
| | 85,277 | 115,528 |
| Interest waived (Note (c)) | 14,711 | 9,777 |
| Government subsidies | 5,440 | 4,512 |
| Realized and unrealized gain (loss) on futures contracts | 5,760 | (25,492) |
| Penalties, fines and compensations | (329) | (2,518) |
| Gain (loss) on financial assets at fair value through profit or loss | 5,582 | (514) |
| | <hr/> | <hr/> |
| Other gains, net | 116,441 | 101,293 |
| | <hr/> | <hr/> |

Notes:

- (a) Rendering of services mainly comprises revenues from the 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.
- (c) In 2005, the gain was related to an interest waiver agreement made between the Company and the National Development and Reform Committee for full settlement of the outstanding loans of RMB19 million and the related interest payable was waived. 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.

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.

The Group's operations are principally carried out in the PRC and the related assets are located there. Accordingly, no geographical segments are presented.

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 business carried out by Zhengzhou Research Institute and minor production and distribution of alumina hydrate, are grouped under corporate and other services segment.

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

| | For the year ended December 31, | |
|---|------------------------------------|-------------|
| | 2005 | 2004 |
| | RMB'000 | RMB'000 |
| Segment results | | |
| Turnover | | |
| Alumina | | |
| External sales | 22,853,792 | 20,497,545 |
| Inter-segment sales | 5,191,749 | 4,226,150 |
| | <hr/> | <hr/> |
| | 28,045,541 | 24,723,695 |
| Primary aluminum - External sales | 14,128,496 | 11,720,415 |
| Corporate and other services - External sales | 128,031 | 95,116 |
| Inter-segment elimination | (5,191,749) | (4,226,150) |
| | <hr/> | <hr/> |
| Total turnover | 37,110,319 | 32,313,076 |
| | <hr/> | <hr/> |
| Cost of goods sold | | |
| Alumina | 16,552,182 | 14,386,807 |
| Primary aluminum | 13,280,526 | 11,239,784 |
| Corporate and other services | 73,182 | 81,718 |
| Inter-segment elimination | (5,083,781) | (4,205,059) |
| | <hr/> | <hr/> |
| Total cost of goods sold | 24,822,109 | 21,503,250 |
| | <hr/> | <hr/> |
| Gross profit | | |
| Alumina | 11,493,359 | 10,336,888 |
| Primary aluminum | 847,970 | 480,631 |
| Corporate and other services | 54,849 | 13,398 |
| Inter-segment elimination | (107,968) | (21,091) |
| | <hr/> | <hr/> |
| Total gross profit | 12,288,210 | 10,809,826 |
| | <hr/> | <hr/> |
| Other costs, net of other revenues and other income | | |
| Alumina | 1,181,053 | 1,003,535 |
| Primary aluminum | 616,030 | 524,506 |

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| | | |
|--|------------|------------|
| Corporate and other services | 103,287 | 90,304 |
| Unallocated | 306,604 | 281,431 |
| | <hr/> | <hr/> |
| Total other costs, net of other revenues and other income | 2,206,974 | 1,899,776 |
| | <hr/> | <hr/> |
| Segment operating profit (loss) | | |
| Alumina | 10,312,306 | 9,333,353 |
| Primary aluminum | 231,940 | (43,875) |
| Corporate and other services | (48,438) | (76,906) |
| Unallocated | (306,604) | (281,431) |
| Inter-segment elimination | (107,968) | (21,091) |
| | <hr/> | <hr/> |
| Total operating profit | 10,081,236 | 8,910,050 |
| Finance costs | 366,908 | 109,948 |
| | <hr/> | <hr/> |
| Operating profit after finance costs | 9,714,328 | 8,800,102 |
| Share of profit of an associated company | 26,947 | - |
| Share of profit (loss) of jointly controlled entities | 372 | (3,953) |
| | <hr/> | <hr/> |
| Profit before income taxes | 9,741,647 | 8,796,149 |
| Income taxes | 2,495,213 | 2,161,086 |
| | <hr/> | <hr/> |
| Profit after income taxes | 7,246,434 | 6,635,063 |
| | <hr/> | <hr/> |
| Capital expenditure | | |
| Alumina | 5,369,606 | 5,398,997 |
| Primary aluminum | 2,793,892 | 5,257,407 |
| Corporate and other services | 124,811 | 76,841 |
| Unallocated | 129,624 | 208,411 |
| | <hr/> | <hr/> |
| Total capital expenditure | 8,417,933 | 10,941,656 |
| | <hr/> | <hr/> |
| Depreciation and amortization charged to the consolidated profit and loss account | | |
| Alumina | 1,713,281 | 1,651,211 |
| Primary aluminum | 743,264 | 701,764 |
| Corporate and other services | 41,177 | 30,764 |
| Unallocated | 27,222 | 26,330 |
| | <hr/> | <hr/> |

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| | | |
|--|-----------|-----------|
| Total | 2,524,944 | 2,410,069 |
| | <hr/> | <hr/> |
| Impairment losses charged to the consolidated profit and loss account | | |
| Alumina | 4,225 | 10,902 |
| Primary aluminum | - | 9,325 |
| | <hr/> | <hr/> |
| Total | 4,225 | 20,227 |
| | <hr/> | <hr/> |

As of December 31,

| | 2005 | 2004 |
|------------------------------|------------|------------|
| | RMB'000 | RMB'000 |
| Segment assets | | |
| Alumina | 35,445,213 | 29,688,156 |
| Primary aluminum | 16,563,819 | 15,849,283 |
| Corporate and other services | 6,153,200 | 4,317,420 |
| Unallocated | 1,491,514 | 452,571 |
| | <hr/> | <hr/> |
| | 59,653,746 | 50,307,430 |
| | <hr/> | <hr/> |
| Inter-segment elimination | (643,867) | (749,361) |
| | <hr/> | <hr/> |
| Total assets | 59,009,879 | 49,558,069 |
| | <hr/> | <hr/> |
| Segment liabilities | | |
| Alumina | 9,373,274 | 10,213,143 |
| Primary aluminum | 6,332,311 | 6,077,356 |
| Corporate and other services | 4,767,800 | 718,356 |
| Unallocated | 4,975,467 | 4,492,697 |
| | <hr/> | <hr/> |
| | 25,448,852 | 21,501,552 |
| Inter-segment elimination | (643,867) | (749,361) |
| | <hr/> | <hr/> |
| Total liabilities | 24,804,985 | 20,752,191 |
| | <hr/> | <hr/> |

4. Selling and distribution expenses

| | For the year ended December 31, | |
|---|------------------------------------|----------------|
| | 2005 | 2004 |
| | RMB'000 | RMB'000 |
| Transportation and loading | 350,730 | 313,692 |
| Packaging expenses | 203,492 | 193,968 |
| Miscellaneous port expenses | 32,197 | 38,321 |
| Salaries and welfare expenses | 30,939 | 27,179 |
| Sales commission and other handling fee | 23,206 | 15,922 |
| Others | 46,153 | 58,450 |
| | <u>686,717</u> | <u>647,532</u> |

5. General and administrative expenses

| | For the year ended December 31, | |
|--|------------------------------------|---------|
| | 2005 | 2004 |
| | RMB'000 | RMB'000 |
| Salaries and welfare expenses | 466,196 | 393,777 |
| Taxes other than income taxes (Note) | 383,925 | 327,978 |
| Depreciation - non production property, plant and equipment | 73,504 | 71,295 |
| Traveling and entertainment | 84,023 | 68,115 |
| Utilities and office supplies | 47,442 | 43,588 |
| Insurance | 46,539 | 37,096 |
| Rental expenses | 45,217 | - |
| Pre-operation expenses | 42,379 | |
| Legal and professional fees | 44,971 | 38,122 |
| Marketing and advertising | 33,780 | 24,779 |
| Amortization of goodwill | - | 24,648 |
| Auditors' remuneration | | |
| - audit fees | 14,660 | 14,210 |
| - audit related fees | 9,291 | 4,097 |
| - other fees | 978 | 1,197 |
| Repairs and maintenance | 23,209 | 19,431 |

| | | |
|--------|-----------|-----------|
| Others | 207,203 | 152,569 |
| | <hr/> | <hr/> |
| | 1,523,317 | 1,220,902 |
| | <hr/> | <hr/> |

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. Finance costs

| | For the year ended December 31, | |
|--|------------------------------------|--------------|
| | <hr/> | <hr/> |
| | 2005 | 2004 |
| | RMB'000 | RMB'000 |
| Interest on bank loans | 708,600 | 518,481 |
| Interest on loan from other financial institutions wholly repayable within five years | - | 1,436 |
| Total finance costs incurred | 708,600 | 519,917 |
| Less: amount capitalized in construction in progress | (304,122) | (399,117) |
| | <hr/> | <hr/> |
| | 404,478 | 120,800 |
| | <hr/> | <hr/> |
| Exchange gain, net (Note) | (37,570) | (10,852) |
| | <hr/> | <hr/> |
| | 366,908 | 109,948 |
| | <hr/> | <hr/> |
| Interest rates per annum at which finance costs were capitalized | 4.9% to 6.1% | 4.9% to 5.8% |
| | <hr/> | <hr/> |

Note: The net exchange gain for the year ended December 31, 2005 was mainly related to foreign currency loans. The net exchange gain for the year ended December 31, 2004 was mainly due to foreign currency deposits.

7. Expenses charged to the consolidated profit and loss account

For the year ended
December 31,

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| | 2005 | 2004 |
|--|-----------|-----------|
| | RMB'000 | RMB'000 |
| Depreciation of property, plant and equipment, as restated | 2,477,877 | 2,350,711 |
| Operating lease rentals in respect of land and buildings | 242,619 | 217,151 |
| Loss on disposal of property, plant and equipment | 63,355 | 43,740 |
| Amortization of mining rights | 36,396 | 33,820 |
| Amortization of land use rights | 10,671 | 890 |
| Provision for obsolete inventories | 13,184 | 39,591 |
| | <hr/> | <hr/> |

8. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

| | For the year ended December 31, | |
|-------------------------------|------------------------------------|-----------|
| | 2005 | 2004 |
| | RMB'000 | RMB'000 |
| Current taxation: | | |
| PRC income tax | 2,627,246 | 2,271,195 |
| Over provision in prior years | (40,466) | (21,165) |
| Deferred tax | (91,567) | (88,944) |
| | <hr/> | <hr/> |
| | 2,495,213 | 2,161,086 |
| | <hr/> | <hr/> |

9. Transfers to reserves

Transfers to reserves of the Group from the consolidated profit and loss account are as follows:

| | For the year ended December 31, | |
|-------------------------------|------------------------------------|---------|
| | 2005 | 2004 |
| | RMB'000 | RMB'000 |
| Capital reserve | 14,711 | 9,777 |
| Statutory surplus reserve | 783,897 | 685,107 |
| Statutory public welfare fund | 747,864 | 651,292 |
| | <hr/> | <hr/> |

10. Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the year ended December 31, 2005 of RMB7,022,422,000 (2004: RMB6,391,523,000) and the weighted average number of 11,049,876,153 shares (2004: 11,040,835,452 shares) in issue during the year.

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

11. Accounts receivable, net

| | As of December 31, 2005 RMB'000 | As of December 31, 2004 RMB'000 |
|---|--|--|
| Trade receivables | 457,556 | 567,864 |
| Less: Provision for impairment of receivables | (278,395) | (305,237) |
| | <u>179,161</u> | <u>262,627</u> |
| Trade receivables from related parties | 246,919 | 353,392 |
| Less: Provision for impairment of receivables | (176,458) | (175,087) |
| | <u>70,461</u> | <u>178,305</u> |
| | 249,622 | 440,932 |
| Bills receivable (Note (a)) | 711,569 | 1,524,195 |
| | <u>961,191</u> | <u>1,965,127</u> |

The Group performs periodic credit evaluation on its customers and different credit policies are adopted for individual customers accordingly. The fair value of trade receivables approximates the book value.

Certain of the Group's sales were on advance payment or documents against payment. In respect of sales to large or long-established customers, subject to negotiation, a credit period for up to one year, may be granted.

As of December 31, 2005, the aging analysis of trade receivables, net, was as follows:

| | As of December 31, 2005 RMB'000 | As of December 31, 2004 RMB'000 |
|--|--|--|
|--|--|--|

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| | | |
|------------------------------------|---------|---------|
| Within 1 month | 112,013 | 218,258 |
| Between 2 and 6 months | 55,670 | 41,191 |
| Between 7 and 12 months (Note (b)) | 39,973 | 26,848 |
| Between 1 and 2 years (Note (b)) | 21,530 | 81,260 |
| Over 2 years (Note (b)) | 20,436 | 73,375 |
| | <hr/> | <hr/> |
| | 249,622 | 440,932 |
| | <hr/> | <hr/> |

Notes:

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

12. Other current assets

| | As of December 31, 2005 RMB'000 | As of December 31, 2004 RMB'000 |
|--|--|--|
| Purchase deposits to suppliers | 652,225 | 353,777 |
| Other deposits and prepayments | 225,758 | 118,462 |
| Value-added tax recoverable | 277 | 6,595 |
| Short-term listed investments (Note (a)) | - | 41,530 |
| Financial assets at fair value | | |
| through profit or loss (Note (a)) | 5,540 | - |
| Held-to-maturity investments (Note (b)) | - | 10,860 |
| Other receivables (Note (c)) | 36,955 | 144,215 |
| | <hr/> | <hr/> |
| | 920,755 | 675,439 |
| Receivables from related parties | 248,266 | 260,352 |
| | <hr/> | <hr/> |
| | 1,169,021 | 935,791 |
| | <hr/> | <hr/> |

Notes:

- (a) Short-term listed investments primarily represented PRC treasury bonds held at fair value. Pursuant to the adoption of HKAS 32 and HKAS 39, these short-term listed investments were reclassified to financial assets at fair value through profit or loss.
- (b)

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Held-to-maturity investments are stated in the balance sheet at cost less/plus any discount/premium amortized to date. The investments matured on July 23, 2005.

- (c) As of December 31, 2005, the balances of the Group were stated net of provision for doubtful receivables of RMB162,363,000 (2004: RMB164,523,000).

The fair value of other current assets approximates the book value.

13. Accounts payable

| | As of December 31, 2005 RMB'000 | As of December 31, 2004 RMB'000 |
|-----------------------------------|--|--|
| Trade payables | 2,584,557 | 1,919,330 |
| Trade payables to related parties | 54,526 | 79,408 |
| | <hr/> | <hr/> |
| | 2,639,083 | 1,998,738 |
| Bills payable (Note (a)) | 10,166 | 49,093 |
| | <hr/> | <hr/> |
| | 2,649,249 | 2,047,831 |
| | <hr/> <hr/> | <hr/> <hr/> |

As of December 31, 2005, the aging analysis of trade payables was as follows:

| | As of December 31, 2005 RMB'000 | As of December 31, 2004 RMB'000 |
|----------------------------------|--|--|
| Within 1 month | 1,804,096 | 1,345,461 |
| Between 2 and 6 months | 639,520 | 491,386 |
| Between 7 and 12 months | 131,596 | 72,982 |
| Between 1 and 2 years (Note (b)) | 22,806 | 22,763 |
| Between 2 and 3 years (Note (b)) | 7,279 | 9,916 |
| Over 3 years (Note (b)) | 33,786 | 56,230 |
| | <hr/> | <hr/> |
| | 2,639,083 | 1,998,738 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes:

- (a) Bills payable are repayable within six months.

(b) Trade payables aged over 1 year are principally due from related parties.

14. Other payables and accruals

| | As of December 31, 2005 RMB'000 | As of December 31, 2004 RMB'000 |
|--|--|--|
| Accrued construction costs | 1,629,934 | 1,587,818 |
| Sales deposits from customers | 1,571,884 | 1,507,443 |
| Accrued payroll and bonus | 934,869 | 745,200 |
| Taxes other than income taxes payable (Note) | 256,990 | 517,148 |
| Staff welfare payable | 221,898 | 287,396 |
| Accrued contributions to retirement schemes | 12,174 | 31,006 |
| Interest payable | 468 | 20,651 |
| Other accruals | 301,273 | 291,099 |
| | <hr/> | <hr/> |
| | 4,929,490 | 4,987,761 |
| Amount due to related parties | 655,827 | 556,806 |
| | <hr/> | <hr/> |
| | 5,585,317 | 5,544,567 |
| | <hr/> | <hr/> |

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

SIGNIFICANT DIFFERENCES BETWEEN HK GAAP AND U.S. GAAP

The consolidated financial statements for the years ended December 31, 2004 and December 31, 2005 have made respective adjustments pursuant to the adoption of the new/revised standards and interpretations of HKFRS as set out in Note 2. These consolidated financial statements have 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 ("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:

| | For the year ended December 31, | | |
|---|------------------------------------|---------|----------|
| | 2004 | 2005 | 2005 |
| | RMB'000 | RMB'000 | US\$'000 |
| Profit after income taxes under HK GAAP | | | |

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| | | | |
|---|-----------|-----------|----------|
| (as restated for 2004) | 6,635,063 | 7,246,434 | 897,847 |
| U.S. GAAP adjustments: | | | |
| Depreciation of revalued property, plant and equipment | 269,999 | 269,999 | 33,453 |
| Amortization of goodwill | 24,648 | - | - |
| Amortization of mining rights | 9,307 | 9,307 | 1,153 |
| Minority interest | (243,540) | (224,012) | (27,756) |
| Income tax effect of U.S. GAAP adjustments | (72,561) | (72,561) | (8,991) |
| | <hr/> | <hr/> | <hr/> |
| Net income under U.S. GAAP | 6,622,916 | 7,229,167 | 895,706 |
| | <hr/> | <hr/> | <hr/> |
| Basic and diluted net income per share under U.S. GAAP | RMB0.60 | RMB0.65 | US\$0.08 |
| | <hr/> | <hr/> | <hr/> |

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

| | As of December 31, | | |
|--|--------------------|-------------|-----------|
| | 2004 | 2005 | 2005 |
| | RMB'000 | RMB'000 | US\$'000 |
| Equity under HK GAAP, (as restated for 2004) | 28,805,878 | 34,204,894 | 4,238,052 |
| U.S. GAAP adjustments: | | | |
| Revaluation of property, plant and equipment, net of related depreciation | (2,861,717) | (2,591,718) | (321,119) |
| Amortization of goodwill | 73,944 | 73,944 | 9,162 |
| Revaluation of mining rights, net of related amortization | (252,421) | (243,114) | (30,122) |
| Minority interest | (1,239,083) | (1,560,455) | (193,343) |
| Income tax effect of U.S. GAAP adjustments | 910,005 | 837,444 | 103,761 |
| | <hr/> | <hr/> | <hr/> |
| Equity under U.S. GAAP | 25,436,606 | 30,720,995 | 3,806,391 |
| | <hr/> | <hr/> | <hr/> |

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.

DIVIDEND

The Board of the Company proposed to declare a final dividend of RMB0.214 per share, totaling RMB2,364,673,000 for 2005 based on 11,049,876,153 shares in the total share capital as of December 31, 2005. The proposal to declare and pay this final dividend is to be submitted to shareholders at the Annual General Meeting scheduled on May 10, 2006 for review and approval.

REVIEW OF OPERATIONS AND PERFORMANCE

In 2005, the Group achieved steady growth in its production and profits by modifying its growth methods, strengthening its structural changes and capitalising on the growing market demands.

- * The Group achieved steady increase in production by pushing forward the schedule for completion of greenfield projects, shortening the commencement date between completion and commencement of production, enhancing the development of its internal potentials and through the optimisation of its production structure and improvement in its production and operation management. In 2005, the Group produced 7.18 million tonnes of alumina, 0.94 million tonnes of alumina chemical and 1.05 million tonnes (of which approximately 130,000 tonnes was produced by Lanzhou Aluminum Corporation Limited "Lanzhou Aluminum", which represented 100% of its production) of primary aluminum, representing a year-on-year increase of 13.2%, 17.0%, and 36.4%, respectively. With safe production and favourable environmental protection, the Group optimized its technical and economic performance and achieved the expected targets of energy saving.
- * The Group, through strengthening of its core business and improving its production chain and core competitiveness, fastened the pace of its development and by capitalizing on market opportunities, the Group expanded its production through various measures. Through greenfield projects, brownfield projects and technological renovation during 2005, the Group's refining capacity of alumina amounted to 8.33 million tonnes, representing an increase of 29% over the previous year, and through greenfield projects, brownfield projects and merger/acquisition, the Company's smelting capacity of primary aluminum reached 1.5 million tonnes (of which approximately 160,000 tonnes was from Lanzhou Aluminum, which represents 100% of Lanzhou Aluminum's smelting capacity), representing an increase of 81% over the previous year.
- * In 2005, the Group completed the construction of a 800,000-tonne alumina project in Shanxi and the second production line of 300,000-tonne alumina ore-dressing Bayer project in Zhongzhou and the 700,000-tonne alumina project in Henan, respectively, and also completed the construction of the 280,000-tonne and 170,000-tonne aluminum smelting projects in Shanxi Huaze and Guizhou, respectively.
- * In January 2005, the Group entered into a transfer contract with Lanzhou Aluminum Plant in relation to the transfer of the shares in Lanzhou Aluminum for a consideration of RMB767,305,000, which has been completed in March 2005. The Company holds 28% equity interest (151,851,442 shares) in Lanzhou Aluminum, and thus is its largest shareholder. Lanzhou Aluminum's smelting capacity is approximately 160,000 tonnes.
- * In December 2005, the Group and Shanxi Guanlv Company Ltd. ("Shanxi Guanlv") entered into a joint venture agreement for the establishment of Shanxi Huasheng Aluminum Company Ltd. ("JV Co"). The total registered capital of the JV Co is

RMB1 billion, of which the Group will invest RMB510 million in cash and Shanxi Guanlv will contribute net assets of RMB490 million. Upon completion of the capital contributions, the Group will hold 51% share capital of the JV Co. The smelting capacity of the JV Co is 220,000 tonnes.

- * In December 2005, the Group entered into a Letter of Intent with Jiaozuo Wanfang Group Company Ltd. in relation to the transfer of the shares of Jiaozuo Wanfang Aluminum Company Ltd. ("Jiaozuo Wanfang"). If the Group proceeds with the acquisition, the Group will hold 29% equity interest in Jiaozuo Wanfang, and thus become its largest shareholder. Jiaozuo Wanfang's smelting capacity of primary aluminum is approximately 272,000 tonnes.
- * In December 2005, the Group, Baiyin Nonferrous (Group) Co., Ltd. ("Baiyin Nonferrous") and Baiyin Honglu Aluminium Co., Ltd. ("Baiyin Honglu") entered into a Letter of Intent regarding the establishment of a joint venture company. Baiyin Nonferrous will contribute the 127,000 tonnes of aluminum smelting and ancillary facilities owned by Baiyin Honglu, and Chalco will contribute in cash as capital contribution for the joint establishment of a new company. If the parties proceed with the cooperation, Chalco will hold 51% equity interest in the new company.
- * In January 2006, the Group entered into a Letter of Intent with Shandong Huasheng Jiangquan Group ("Huasheng Jiangquan"), pursuant to which the Group will acquire a 60% equity interest in a new company owned by Huasheng Jiangquan. The principal assets of the new company owned by Huasheng Jiangquan include the aluminum smelting production line with a smelting capacity of 100,000 tonnes and its ancillary facilities and a 2*135MW coal-fired power-generator.
- * In January 2006, the Group, Zunyi Aluminum Co. Ltd. ("Zunyi Aluminum"), Wujiang Hydropower Development Corporation Ltd. ("Wujiang Hydropower"), and the People's Government of Zunyi City and Zunyi County entered into a Letter of Intent, pursuant to which the Company will acquire 100% equity interest of Zunyi Aluminum held by the People's Government of Zunyi City and Zunyi County and a portion of the equity interest of Zunyi Aluminum held by Wujiang Hydropower and other shareholders. If the Group proceeds with the acquisition, the Company will hold 51% or more of the equity interest of Zunyi Aluminum.
- * In March 2006, the Group entered into an equity transfer contract with Liaoning Fushun Aluminium Plant pursuant to which the Group will acquire the entire equity interest of Fushun Aluminium Co., Ltd. ("Fulv Company") from Fushun Aluminium Plant for a consideration of RMB500 million. Fulv Company is mainly engaged in the production of primary aluminium and carbon products, and has a smelting capacity of 140,000 tonnes in 2005. As at the end of February 2006, total assets and net assets of Fulv Company were valued at approximately RMB1.27 billion and RMB503 million, respectively.
- * The Group has completed the formulation of its overseas development plan and has established its mode of overseas investment and management. Its overseas development projects undertaken in Brazil, Australia and Vietnam are progressing steadily.
- * Brazil project: In May 2004, the Group entered into a non-binding framework agreement with Companhia Vale do Rio Doce ("CVRD"), for the establishment of a joint venture company in Brazil, considering the feasibility of establishing a new

refinery, ABC Alumina Refinery, for alumina production in Brazil. Phase I of the project is expected to have a refining capacity of 1,800,000 tonnes of alumina per annum with a total investment of US\$1 billion and is scheduled to reach an ultimate refining capacity of 7,200,000 tonnes gradually. Currently, the parties have essentially agreed on the significant business arrangements and started the joint feasibility study in 2005. It is expected that the feasibility study will be completed in the early 2006. The Phase I project is expected to commence construction in 2006 and to be put into operation in early 2009.

* Aurukun project in Australia: In September 2005, the Queensland government of Australia started the global bidding for resources exploration in Aurukun. The Group submitted a Letter of Intent to the Queensland government in October 2005 to bid the Arurkun project and submitted a non-binding preliminary development proposal at the end of January 2006. In early March 2006, the Group has been short listed as the only company for the bidding.

* Bauxite development project in Dac Nong, Vietnam: The bauxite development project in Dac Nong, Vietnam, which is led by the Group, is progressing smoothly. A majority of the ground works, including the comparison and selection of the location of alumina plant and mineral processing test, have been taken since 2004, the preliminary feasibility study report of the project has been submitted to the Vietnam government in April 2005. In December 2005, the Group signed a Memorandum of Understanding with Vietnam National Coal Corporation regarding the joint development of the bauxite in Dac Nong, Vietnam. The feasibility study is expected to commence in 2006.

* The Group focused mainly on the development and utilization of bauxite resources, energy saving, product mix adjustment and sharpening its core competitive edges. Through the above, the Group has achieved the expected results in the establishment of new businesses, new technologies and new products and the application and fundamental research of new facilities and technology commercialisation.

* The Group, in addition to leveraging opportunities of a favourable market price in the product sales, has optimized its product sales to stabilize its clientele. It has also formulated interactive information management system and sound sales strategies to secure the clientele with its ongoing perfection of the management system of the integrated sales management.

The Group further centralized its procurement to strengthen cost control. It further regulated the procedure of procurement by utilizing budget planning and statistics information management, with a view to lowering the procurement cost of the Group.

* The Group further focused on fundamental management to monitor the activities of the Group. The Group has established Occupational Health and Safety, Environment Protection System and Quality Management Systems, and such systems have obtained the certification by the State's authorized accreditation institutions. The Group has commenced a trial run on the standardization of its quantitative management.

The Group has improved the system of performance management and audit of investment projects, and further strengthened the departmental management and contract management.

The Group set up a special panel to further supervise business flows and control business risks by focusing on the implementation of internal control procedures in accordance with Section 404 of US Sarbanes-Oxley Act. The work towards an all-around improvement in management expertise was in progress.

The Group has established and improved its WAN. The implementation of the ERP System has successfully commenced and part of it is now in operation. Also, improvement and optimization of the integrated information platform and network is in progress as scheduled.

PRODUCT MARKET REVIEWS

The steady growth in the economy of western developed countries and strong growth in the emerging markets such as the PRC and India have together led to a relatively significant growth in demand of basic raw materials and the increase of the price of raw materials product.

PRIMARY ALUMINUM MARKET

In 2005, the global aluminum market experienced a noticeable price fluctuation. The lowest price of three-month primary aluminum futures on London Metals Exchange ("LME") was US\$1,682 per tonne. However, the price at the year end surged to US\$2,289 per tonne, staying around a 17-years' all time high, while the average price was US\$1,900 per tonne, representing an increase of 10.3% compared to last year. In 2005, PRC's aluminum market was relatively weak in the first three quarters with the price of three-month aluminum futures on Shanghai Futures Exchange ("SHFE") ranging from RMB16,000 to RMB17,000. This was attributable to the abolishment of tax refund of 8% along with the imposition of 5% tariff on primary aluminum export by the Chinese government. Since October 2005, aluminum price on LME started to rise again upon market rumours of the decrease in aluminium output which led to the increase in domestic aluminum price. The highest price of three-month primary aluminum futures on SHFE was RMB19,870 per tonne, recording a new ten-years' high. The annual average price was RMB16,848 per tonne, representing a slight increase of 4.8% compared to the same period last year.

The global output of primary aluminum for 2005 was 31.93 million tonnes, representing an increase of 7.0% compared to last year. PRC's primary aluminum output continued a fast growth to 7,810,000 tonnes, representing an increase of 16.7% compared to last year. The global consumption of primary aluminum was 31.87 million tonnes, representing an increase of 5.9% compared to last year. The Chinese economy recorded continuous growth and an increasing consumption of primary aluminum maintained in different industries to various extents. The total domestic primary aluminum consumption was approximately 7,070,000 tonnes, representing an increase of 18.0% compared to last year.

ALUMINA MARKET

The alumina price hit a new record in 2005. The CIF price of alumina imported to China from overseas increased up to US\$600 per tonne. The annual average price of alumina was US\$370 per tonne, representing an increase of 6.3% over the previous year. Domestic alumina prices remained high and recorded the highest RMB5,200 per tonne. The annual average spot price of Chalco's alumina in 2005 was RMB3,824 per tonne, representing an increase of 1.2% compared to last year.

In 2005, the global production of alumina was 61.24 million tonnes. However, the global alumina consumption has continued to grow relatively fast and as only a few alumina projects have commenced production, the existing alumina production the existing alumina production capacity falls short of the global demand. The slight short-supply of alumina continued as the global refining capacity cannot satisfy the global demand. The consumption volume of alumina reached approximately 62.38 million tonnes with a shortfall of approximately 1.14 million tonnes. In 2005, the gap in demand and supply of domestic-made alumina remained sharp. The annual domestic output of alumina products recorded continuous steady increase, amounting to approximately 8.51 million tonnes, representing an increase of 20.9% over the previous year, while the demand for alumina continued to grow to approximately 16.62 million tonnes, representing an increase of 18.7% over the previous year. In 2005, the PRC imported approximately 7.02 million tonnes of alumina, representing an increase of 19.0% over the previous year. The PRC market's reliance

on imported alumina amounted to approximately 50%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Consolidated Financial Statements together with the accompanying notes, included elsewhere in our annual report.

Revenues

The Group's sales of goods increased by 14.85% from RMB32,313 million for the year 2004 to RMB37,110 million for the year 2005, representing an increase of RMB 4,797 million. The increase was primarily due to the increase in sales volume of alumina and primary aluminum and the increase in selling prices of the same.

In 2005, the Group's external sales volume of primary aluminum reached 905,000 tonnes, representing an increase of 144,400 tonnes or 18.99% from 760,600 tonnes of 2004, which resulted to an increase of 6.15% in the total turnover. The increase was primarily attributable to the 33,800 tonnes primary aluminum produced by Shanxi Huaze Aluminum and Power Co., Limited, an increase of 67,600 tonnes of primary aluminum due to the operation of the technological renovation project in Qinghai branch, and the increase of primary aluminum of 43,000 tonnes through technological renovation of existing production lines.

The external sales volume of alumina increased from 4,870,200 tonnes in 2004 to 5,365,000 tonnes in 2005, representing an increase of 494,800 tonnes or 10.16%, which in turn represents an increase of 4.95% in the total turnover. The increase was mainly attributable to the increase of output resulted from the commencement of production of the 800,000 tonnes alumina production lines in Shanxi, the 700,000 tonnes alumina production line in Henan and the 300,000 tonnes alumina productions line in Zhongzhou in 2005.

In 2005, the Group's average external selling price of alumina reached RMB3,268.32 per tonne (tax excluded, similarly thereafter), representing an increase of RMB38.66 per tonne from RMB3,229.66, which in turn represents an increase of 0.64% in the total turnover. Though the spot price for alumina in 2005 increased when compared with the previous year, for the purpose of ensuring a long-term stability of the alumina's selling price of the Group and justifying the sales structure, the Group captured on the favourable opportunity to continue to nurture, stabilize and consolidate the clientele and increased the percentage of long-term contracts appropriately. Thus there is no substantial increase in the Group's revenue.

Due to the increase of selling price of primary aluminum, the Group's average external selling price of primary aluminum increased by RMB507.69 per tonne from RMB13,756.33 per tonne in 2004 to RMB14,264.02 per tonne in 2005, which in turn represents an increase of 1.42% in turnover.

Cost of Sales

The Group's total cost of sales increased by RMB3,319 million or 15.44 % from RMB 21,503 million (restated) in 2004 to RMB24,822 million in 2005. The increase was mainly attributable to a growth in sales volume of alumina and primary aluminum, and the increased unit production costs of primary aluminum and alumina caused by the increase in raw material prices. The growth in sales volume of alumina and primary aluminum and the increase in production cost caused an increase of 10.17% and 4.25% respectively in its cost of sales.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by RMB39 million from RMB648 million in 2004 to

RMB687 million in 2005, up 6.02%, which was primarily attributable to the increase in transportation and loading fee due to the growth of sales volume of primary aluminum.

General and Administrative Expenses

General and administrative expenses increased by RMB302 million from RMB1,221 million in 2004 to RMB1,523 million in 2005, up 24.73%. The increase was mainly due to operation and related expenses of RMB128 million due to the commencement of operation of a subsidiary, Shanxi Huaze and a new subsidiary engaged in mining operation. The charges related to taxation imposed by the PRC increased by RMB56 million due to the expanded business. Rental expenses increased by RMB45 million as result of the new lease of the Company's headquarters. The continued efforts to strengthen the internal control system and information system of the Group increased the office and other expenses by RMB34 million. The Group's insurance premiums increased by RMB10 million as the Group spent more in the property insurance.

Research and Development Cost

The Group's cost expenditure for research and development decreased by RMB20 million or 15.04% from RMB133 million in 2004 to RMB113 million in 2005. In 2005, the expenses used for research and development was RMB269 million, which was basically the same as RMB269 million in 2004. The decrease of expenditure for research and development of RMB20 million in 2005 was primarily due to the decrease on expenditure for the Group's new R&D projects.

Net Other Revenue

The Group's net other revenue in 2005 included a net gain of RMB116 million, an increase of RMB15 million or 14.85% from RMB101 million in 2004. This was attributable to the fact that Chalco International Trading, a subsidiary of the Company, hedged some of the primary aluminum contracts in the futures market, resulting in a profit of RMB5.76 million upon closing the futures contracts in 2005 while a loss of RMB25.49 million was recorded in 2004.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by RMB1,171 million from RMB8,910 million in 2004 (restated) to RMB10,081 million in 2005, up 13.14%. The Group's operating profit as a percentage of sales of goods was 27.57% in 2004 and 27.17% in 2005.

Finance Costs

The Group's finance costs increased by RMB257 million, from RMB110 million in 2004 (restated) to RMB367 million in 2005 (interest expenses: RMB405 million, foreign exchange gains: RMB38 million). The increase was primarily due to commencement of the production upon completion of a majority of the construction projects in progress in 2005, so that no interest was capitalized, which led to an increase of RMB284 million in interest expenses. Furthermore, owing to the appreciation of RMB, foreign exchange gain increased by RMB27 million.

Total interest expense increased by RMB189 million from RMB520 million in 2004 to RMB709 million in 2005, of which capital expenditure was RMB304 million and cost expense was RMB405 million. The increase was attributable to the increased interest expense of RMB120 million due to the increased long-term loan of RMB2,299 million; increased interest expense of RMB41 million primary due to increase in interest rate increased working capital as a result of commencement of operation of new production lines; increased interest expense of approximately RMB28 million due to the issue of short-term bonds of RMB1,943 million and repayment of partial

short-term loan of RMB1,070 million.

Income Taxes

The Group's income tax expenses increased by RMB334 million or 15.46% from RMB2,161 million (restated) in 2004 to RMB2,495 million in 2005. The increase of income tax of approximately RMB221 million was mainly attributable to the increased profit of the Company. Tax credit on certain qualified capital expenditures in 2005 was reduced, and resulted in an increase of tax expense by approximately RMB135 million. However, a sum of tax expenses of RMB22 million was waived for the year due to the approval granted to the Company's subsidiary Shandong Aluminum Industry Co., Ltd. in respect of the tax concession for integrated utilization of resources.

The Group's effective income tax rate was 25.61% in 2005, which was lower than the statutory tax rate of 33.0%. This was mainly because three branches of the Company situated in Guizhou, Guangxi and Qinghai in the western region of the PRC are entitled to a preferential income tax rate of 15.0%.

Minority Interest

Minority interest decreased from RMB244 million in 2004 to RMB224 million in 2005 primarily due to a loss is recorded in the Company's newly operated subsidiary, Shanxi Huaze, where its indicative production technology has not yet stabilized, resulting in higher production cost, and operation expenses of RMB42 million.

Net Profit for the Year

As a result of the foregoing, the Group's net profit attributable to the equity holders of the Company for the year increased by RMB630 million (9.86%) from RMB6,392 million in 2004 (restated) to RMB7,022 million in 2005.

Working Capital, Liabilities and Capital Commitments

As of December 31, 2005, the Group's current assets amounted to RMB16,963 million, representing an increase of RMB2,606 million over RMB14,357 million in 2004.

- the Group's inventories amounted to RMB7,235 million, representing an increase of RMB2,003 million over RMB5,232 million of the end of 2004. The increase was mainly attributable to the increased working capital resulting from the commencement of operation of additional production lines, namely the 280,000 tonnes aluminum smelting project of Shanxi Huaze and the 800,000 tonnes alumina project in Shanxi as well as the increase in the price of raw materials, resulting in the increase in the cost of inventories.
- the Group's net account receivables amounted to RMB961 million, representing a decrease of RMB1,004 million as compared with RMB1,965 million at the end of 2004, mainly due to faster cash receipts during the selling process. Of the account receivables, bills receivables and trade receivables decreased RMB812 million and RMB192 million, respectively, over the end of 2004.

As of December 31, 2005, the Group's current liabilities amounted to RMB14,938 million, representing an increase of RMB1,745 million as compared with RMB13,193 million at the end of 2004, which consists of the closing balance of RMB1,971 million of the corporate short-term bonds issued by the Group, increased payables of RMB603 million and the increase of RMB280 million of long-term loans due and repayable within one year, leading to an increase of total current liabilities of RMB2,854 million. In addition, short-term loans decreased by RMB1,070 million offset the increase of current liabilities.

The Chinese government implemented measures to reform its financial system in 2005 by increasing the channels for enterprises to obtain finances among banks. The Group is pleased to have been granted the qualification of the first batch of enterprises to issue corporate short-term bonds and, accordingly, has been granted a revolving credit of RMB5,000 million. Such grants qualified the Group to obtain finances among banks and widen the financing channels of the Group.

In May 2005, the Group successfully issued RMB2,000 million short-term bonds of par value RMB100 each at an issue price of RMB97.16, and accordingly an aggregate of RMB1,943 million has been raised and effective interest rate was approximately at 3.33%. In addition, due to the lower financing cost of short term bond issue as compared to bank loans for the corresponding period, the issuance has lowered the interest expense by approximately RMB33 million. The Group will issue the remaining credits of the bonds of RMB3,000 million whenever it is appropriate.

As a result of the foregoing, the Group's net current assets amounted to RMB2,025 million as of December 31, 2005. This represented an increase of RMB862 million over the net current assets as of the end of 2004 which amounted to RMB1,163 million.

The Group's long-term loans amounted to RMB9,691 million as of December 31, 2005, an increase of RMB2,299 million over RMB7,392 million as of December 31, 2004, which was primarily attributable to the increased financing for the long-term loans as a result of the increased capital expenditure of the Group.

The Group's gearing ratio as stated in the financial report increased to 32.05% as of December 31, 2005 from 30.18% as of December 31, 2004, up 1.87 percentage point, which was mainly attributable to the increased long-term loans of the Group.

By virtue of the Group's credit standing and availability of domestic capital, the Group is in the opinion that there will be no significant difficulties in receiving bank loans in the future. The Group will finance its working capital expenditure and related expenditures through its operating activities and bank loans. The Company will also finance its capital by ways of the issue of additional shares and the offer of bonds where necessary. In addition, the Group has established standby credit facilities with domestic banks for an aggregate of RMB37,672 million to finance the capital shortfall related to its alumina and primary aluminum projects and for relevant working capital purposes. The Group believes that its working capital is sufficient for its existing demand.

Capital Expenditures and Capital Commitments

In 2005, the Group completed property, plant and equipment and land use rights investments amounting to RMB8,418 million, which mainly consisted of the investment in the 280,000-tonnes alumina smelting project of Shanxi Huaze, an associated company of the Company, together with the 800,000-tonnes alumina project in Shanxi, the 700,000-tonnes alumina project in Henan and the 300,000-tonnes alumina project in Zhongzhou as well as the Company's project in technological renovation etc. As of December 31, 2005, the Group's capital commitments of property, plant and equipment amounted to RMB9,026 million, of which those contracted but not provided for amounted to RMB561 million and those authorized and not contracted amounted to RMB8,465 million.

In March 2005, the Group acquired a 28% equity interest in Lanzhou Aluminum at a consideration of RMB768 million (including transaction fee) and became the largest shareholder of Lanzhou Aluminum. Under the Articles of Association of Lanzhou Aluminum, the board of Lanzhou Aluminum comprises 9 directors, of which 6 are Non-independent Directors and 3 are Independent Directors, and among its existing 9 Directors, 5 Directors are appointed by Company, representing the majority of its Board.

Lanzhou Aluminum is an A Share listed company (Stock code: 600296) that is listed on the Shanghai Stock Exchange. Its principal business is the production and sales of primary aluminum products. As of December 31,

2005, Lanzhou Aluminum's total assets amounted to RMB4,443 million and its issued share capital and reserves amounted to RMB2,882 million. The Company produced 166,100 tonnes of primary aluminum in 2005, and its sales revenue, operating profit and net profit amounted to RMB2,755 million, RMB130 million and RMB112 million, respectively. The acquisition of Lanzhou Aluminum further enhanced the Group's output and production capacity and its market share of primary aluminum in the domestic market.

Cash and Cash Equivalents

Cash and cash equivalents of the Group as of December 31, 2005 totaled RMB7,598 million, comprising foreign currency deposits of US\$7,184,000, HK\$2,639,000 and 94,000 Euro.

Cash Flow from Operating Activities

Cash from operations increased by RMB325 million or 3.93% from RMB8,265 million for the year of 2004 to RMB8,590 million for the year of 2005. The increase was primarily the result of the increase of the Group's profit and the expanded scale of production which increased the operating capital and offset partial cash flow.

Cash Flows from Investing Activities

Net cash outflow from investing activities in 2005 was RMB8,821 million, which was slightly lower than the RMB9,056 million of 2004. This was mainly due to the decrease of expenses for additional plants and equipment and facilities by RMB986 million when compared with the previous year, accompanied with the Group's investment of RMB768 million in Lanzhou Aluminum and the increased investment in a controlled company, Guangxi Guixi Huayin Aluminum Co., Ltd., of RMB117 million.

Cash Flows from Financing Activities

Net cash inflows from financing activities amounted to RMB1,605 million in 2005, which was a decrease of RMB2,813 million from the RMB4,418 million of 2004. This was mainly due to the income received from the issuance of the Company's H shares of RMB3,301 million in 2004, the issuance of the Company's short-term bonds of RMB1,943 million and the increased payment of dividend of RMB884 million over the previous year.

Foreign Exchange Rate Risk

The Group conducts its business primarily in Renminbi.

Renminbi is not a freely convertible currency. The restrictions on foreign exchange imposed by the PRC government may result in material differences between future exchange rate and current exchange rate or historical exchange rate. The changes in the exchange rate of Renminbi will impact the ability of the Group to carry out operations relating to foreign exchange. Those changes will also impact the ability of the Group to pay dividends in HK dollars and to pay dividends of American Depositary Shares in US dollars. The Company believes that it is able and will be able to obtain sufficient foreign exchange to implement the above-mentioned obligations.

Impact of Appreciation of Renminbi

The Group believes that, since the price of domestic alumina is determined with reference to the price of imported alumina, the appreciation of Renminbi will affect prices of the domestic spot market of alumina.

However, the appreciation of Renminbi will not have a significant impact on the Group's operations because the Group's import and export volume and foreign currency loans are minimal. From the perspective of production costs,

the appreciation of Renminbi will, to some extent, enhance the competitiveness of the Company in the international market.

Future Development and Prospects of Businesses

In 2006, the PRC's economy is expected to continue a steady growth. The demand for the PRC aluminum will remain strong with rapid economic growth. With rapid urbanization, the electricity, construction and transportation industries will continue to support a rapid growth of aluminum consumption. Rapid growth in the PRC's aluminum industry will continue to have a strong impact on the global market, while increasing high prices of raw materials and intensive competition of resources market will have pressure on the development of the Group.

For this reason, in 2006 the Group will continue with the scientific development philosophy, aiming at the establishment of a first-class world enterprise which has 100 years experience in aluminum operations. The Group will deploy measures for scientific development, innovation, management and technology development, improve and streamline its internal management, and further develop a recycling economy. This will lay a solid foundation for the Group's development into a harmonious Chalco. The Group's major targets in 2006 are as follows:

- * In accordance with the Group' development strategy, the Group will continue to speed up investments in alumina projects in order to capture market opportunities. Also it will carry out in-depth studies on target enterprises to speed up merger and acquisition of smelters in accordance with the relevant standards and regulatory requirements. Meanwhile, the Company will strengthen its core competitive edges by adjusting its product mix, and by studying, planning and improving the product chains of aluminum products.
- * The Group will implement resources strategy to increase resources obtained domestically and internationally and to enhance control and initiation power over resources. The Company will optimize the structure of its bauxite supplies to lower the procuring cost of external bauxite. On the other hand, the Group will strengthen geological exploration with a view to increasing its bauxite reserves.
- * The Group will reinforce management on safe production and implement the accountability system to support fundamental work for safe production and increase the expertise of management staff in safe production.

Initially through indicative quantization and variance analysis, the Group will proactively implement standardized quantitative management to improve and enhance the core value of its production management.

The Group will enhance procedures control and cost management to implement clean production and energy saving.

- * Focusing on financial management, the Group will increase efforts on cost reduction and fine tune its cost reduction. Meanwhile, the Group will carry out budget control to increase the efficiency of capital utilization.
- * The Group will focus more market change study, improve its product mix, intensify the research, analysis and projection on the market of major raw materials and identify the substantial nature of product markets. The Group will capture maximum benefits by capitalizing on its market advantage. On the other hand, the Group will adapt to the changes of product structure and timely adjust its sales strategy.
- * The Group will speed up the pace of its the information technology development for the setting up of a modernized management platform with the Group's own characteristics to further increase the standard and efficiency.

- * The Group will continue to provide professional training to its staff, so as to improve staff quality. A harmonized Chalco is to be established by care of staff's health and integration of corporate culture.

USE OF PROCEEDS

As of December 31, 2005, RMB1,837 million of the Company's net proceeds from its new H Share placement in January 2004 was used for capital expenditures.

LITIGATION AND CONTINGENT LIABILITIES

(a) Litigation

As of December 31, 2005, 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 Group 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 8 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 the failure of a party to abide by its expressions of intent in the MOU, then that party would be obligated to pay approximately 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 Group continues to work actively and closely with Alcoa to conclude the joint venture agreement consistently with its expressed intentions in the MOU.

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.

As of December 2005, the Group has not made a claim against Alcoa nor, according to the Directors, has Alcoa asserted a claim against the Group for compensatory payment. Based on currently available information, the Directors believe that no provision is necessary.

SHARE CAPITAL STRUCTURE

The share capital structure of the Company as of December 31, 2005 was as follows:

As of December 31, 2005

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| Shareholders of Domestic Shares or H Shares | No. of shares (in millions) | Percentage in issued share capital (%) |
|--|--------------------------------|---|
| <u>Shareholders of Domestic Shares</u> | | |
| Chinalco | 4,656.3 | 42.14 |
| China Cinda | 900.6 | 8.15 |
| China Construction Bank | 709.8 | 6.42 |
| China Orient | 602.2 | 5.45 |
| China Development Bank | 554.9 | 5.02 |
| Guangxi Investment | 196.8 | 1.78 |
| Guizhou Development | 129.4 | 1.17 |
| <u>Shareholder of H Shares</u> | | |
| Alcoa | 884.2 | 8.00 |
| Other shareholders in the public | 2,415.7 | 21.87 |

Based on information that is publicly available to the Company and within the knowledge of the Directors as at March 13, 2006, being the latest practicable date prior to the issue of this report, there is sufficient public float in the share capital structure of the Company as required under the Listing Rules in Hong Kong.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as of December 31, 2005, the persons other than Directors, Chief Executives or Supervisors of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the SFO) are as follows (the interests in shares and short positions disclosed herein are in addition to those disclosed in respect of the Directors, Chief Executives and Supervisors):

| Name of substantial Shareholders | Class of shares | Number of shares held | Capacity | Type of interest | Percentage in the relevant class of share capital | Percentage in total share capital |
|--|--------------------|--------------------------|------------------|---------------------|--|--|
| Chinalco | Domestic Shares | 4,656,261,060 | Beneficial owner | corporate | 60.08% | 42.14% |
| China Cinda | Domestic Shares | 900,559,074 | Beneficial owner | corporate | 11.62% | 8.15% |
| China Construction Bank | Domestic Shares | 709,773,136 | Beneficial owner | corporate | 9.16% | 6.42% |
| China Orient | Domestic Shares | 602,246,135 | Beneficial owner | corporate | 7.77% | 5.45% |
| | | 554,940,780 | Beneficial owner | corporate | 7.16% | 5.02% |

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| China Development Bank | Domestic Shares | | | | | |
|-----------------------------------|-----------------|---|--|-----------|--------|-------|
| Alcoa | H Shares | 884,207,808 | Beneficial owner | corporate | 26.79% | 8.00% |
| Alliance Capital Management L. P. | H Shares | 262,566,000 (L) | Interest of controlled Corporations (Note a) | corporate | 7.96% | 2.38% |
| Templeton | H Shares | 265,842,000 (L) | Beneficial owner | corporate | 8.06% | 2.41% |
| Asset Management Limited | | | | | | |
| JP Morgan Chase & Co | H Shares | 239,207,828 (L) (including 99,532,000 (P)) | Interest of controlled Corporations (Note b) | corporate | 7.25% | 2.06% |

Note:

- (a): The interest in shares of Alliance Capital Management L.P. is held through a number of controlled corporations including Alliance Capital Ltd., New-Alliance Asset Management (Asia) Limited, Alliance Capital Australia Limited, Alliance Capital Management Australia Limited and Alliance Capital Management New Zealand Limited.
- (b): The interest in shares of JP Morgan Chase & Co. includes 20,565,828 H shares held in the capacity as beneficial owner, 119,110,000 H shares held in the capacity as investment manager and 99,532,000 H shares held in the capacity as custodian corporation/approved lending agent.

The letter "L" denotes a long position. The letter "S" denotes a short position. The letter "P" denotes interest in a lending pool.

EMPLOYEES, PENSION PLANS AND WELFARE FUND

The Group had approximately 68,200 employees as of December 31, 2005. The remuneration package of the employees includes salary, bonuses and allowances. Employees also receive welfare benefits including medical care, housing subsidies, child care and education, retirement and other miscellaneous items.

In accordance with applicable PRC regulations, the Group currently joins pension contribution plans organized by provincial and municipal governments, under which each of the Group's plants is required to contribute to the pension fund an amount equal to a specified percentage of the sum of its employees' salaries, bonuses and various allowances. The amount of contribution as a percentage of the employees' salary varies from plant to plant is at approximately 20%, depending in part on the location of the plant and the average age of the employees. The Group also contributes to a welfare fund for its employees. The contributions of the Group to this welfare fund are made at rates ranging

from 5% to 10% of the Group's after-tax profit. The Group had not paid retirement benefits to its employees as of December 31, 2005.

INTERESTS OF DIRECTORS, CHIEF EXECUTIVES AND SUPERVISORS IN SHARES OF THE COMPANY

During the year ended December 31, 2005, none of the Directors or Chief Executives or Supervisors or their respective associates had any interests in the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) which are (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; (c) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

During the year ended December 31, 2005, none of the Directors or Chief Executives, Supervisors, senior management or their spouses or children under the age of 18 was given the right to acquire shares or debentures of the Company or any associated corporations (within the meaning of the SFO).

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As of December 31, 2005, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

CORPORATE GOVERNANCE

The Articles of Association, the Terms of Reference of the Audit Committee, the Terms of Reference of the Supervisory Committee and the code of conduct regarding securities transactions by the Directors and specific employees form the framework for the code of corporate governance practices of the Company. The Board has reviewed its corporate governance documents and is of the view that such documents have incorporated most of the principles and code provisions in the "Code on Corporate Governance Practices" (the "CG Code") as set out in Appendix 14 of the Hong Kong Listing Rules.

Code A.2.1 of the CG Code requires the roles of chairman and chief executive officer to be separate and not be performed by the same individual. Currently, Mr. Xiao Yaqing serves as the Chairman and Chief Executive Officer of the Company. The Directors are of the opinion that this arrangement is for the benefit of the long term development of the Company.

Other than the deviation mentioned above, the Board is of the view that the Company has complied with the code provisions of the CG Code.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from April 11, 2006 to May 10, 2006, both days inclusive. In order to be eligible for the final dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Hong Kong Registrars Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at the close of business on April 10, 2006.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company did not redeem any of its shares during 2005. Neither the Company nor any of its subsidiaries purchased or sold any of its shares during 2005.

AUDIT COMMITTEE

The power and written terms of reference in relation to the authorities and duties of the Audit Committee were prepared and adopted in accordance with and with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and Rule 10A-3 of U.S. Securities and Exchange Commission.

The consolidated financial statements of the Group for the year ended December 31, 2005 have been reviewed by the Audit Committee of the Company.

PUBLICATION OF ANNUAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

An annual report of the Company containing all the financial and relevant information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Hong Kong Listing Rules of the Hong Kong Stock Exchange will be posted on the website of the Hong Kong Stock Exchange in due course.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended December 31, 2004 and 2005 but is derived from the consolidated financial statements prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA. Those consolidated financial statements for the year ended December 31, 2005, which contain an unqualified auditors report, will be delivered to the Registrar of Companies, and delivered to shareholders as well as made available on the Company's website at <http://www.chalco.com.cn>.

As at the date of this announcement, the Directors are Mr. Xiao Yaqing, Mr. Xiong Weiping, Mr. Luo Jianchuan, Mr. Chen Jihua (Executive Directors), Mr. Joseph C. Muscari, Mr. Shi Chungui (Non-executive Directors), Mr. Wang Dianzuo, Mr. Kang Yi and Mr. Poon Yiu Kin, Samuel (Independent Non-executive Directors).

Made by order of the board of Directors, each of whom individually and jointly accept responsibility for the accuracy of this announcement.

By the order of the Board of Directors

Xiao Yaqing

Chairman, Chief Executive Officer

Beijing, PRC
March 13, 2006

* For identification only

About the Company

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