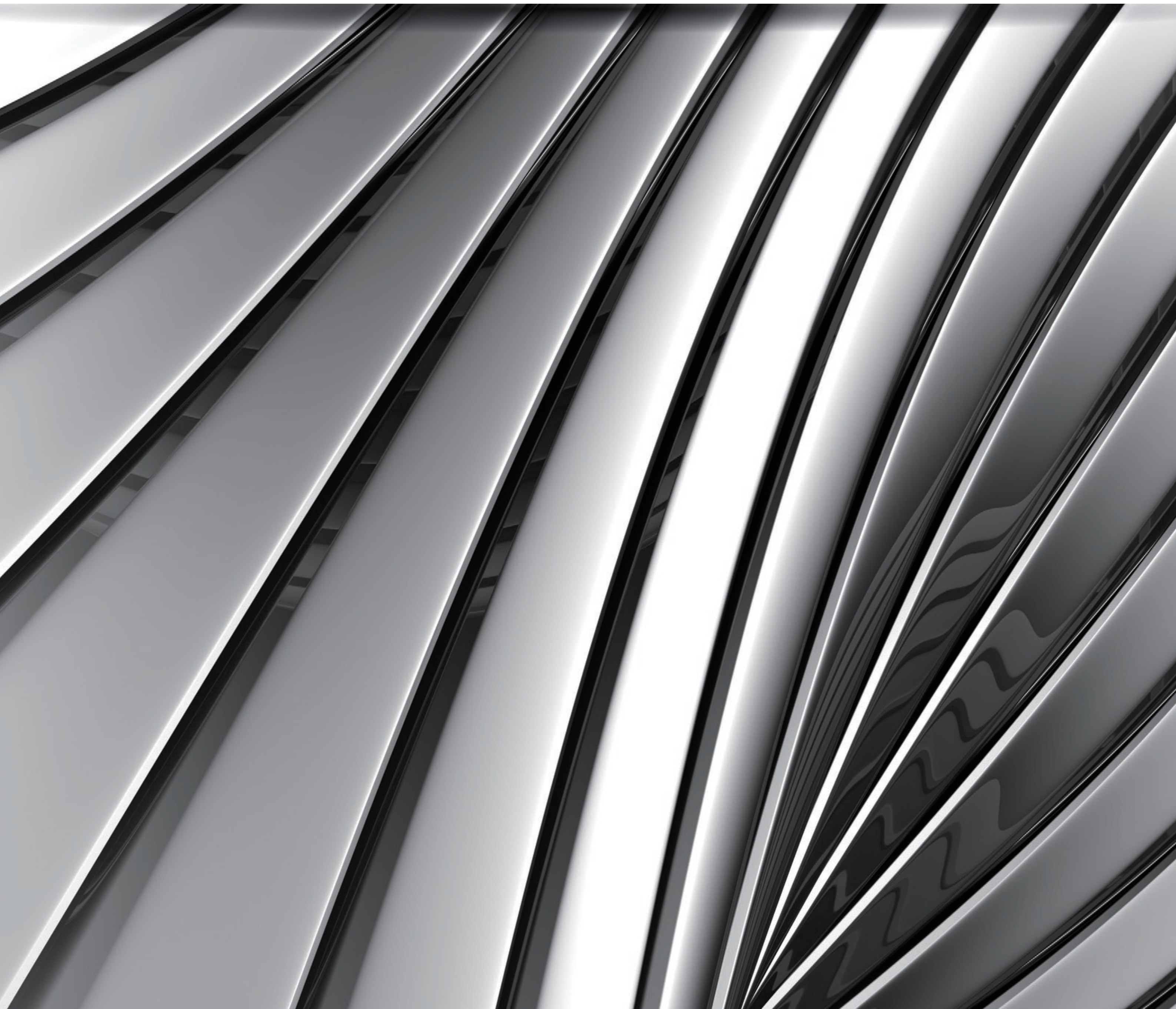
China Hongqiao Group Limited
中國宏橋集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)
Stock Code : 1378

2014 ANNUAL REPORT



Contents

Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December (RMB'000)				
	2010	2011	2012	2013	**2014**
Continuing operations					
Revenue	15,131,591	23,626,031	24,804,742	29,404,462	**36,085,800**
Gross profit	5,741,869	8,176,386	8,003,448	8,142,802	**9,296,468**
Gross profit margin (%)	37.9	34.6	32.3	27.7	**25.8**
Profit before income tax	5,584,584	7,953,871	7,400,553	7,379,395	**7,327,733**
Continuing and discontinued operations					
Net profit attributable to shareholders of the Company	4,195,738	5,875,410 [1]	5,452,592 [1]	5,592,675 [1]	**5,313,632** [1]
Net profit margin (%)	27.9	24.9	22.0	19.0	**14.7**
Basic earnings per share (RMB)	0.84	1.03	0.93	0.95	**0.89**

Assets and liabilities

	As at 31 December (RMB'000)				
	2010	2011	2012	2013	**2014**
Total assets	13,345,696	29,669,048	44,376,717	65,178,536	**83,355,832**
Equity	7,302,541	18,397,034	22,337,897	26,882,545	**32,434,014**
Total liabilities	6,043,155	11,272,014	22,038,820	38,295,991	**50,921,818**
Return on equity[2] (%)	80.8	45.7	26.8	22.7	**17.9**
Current ratio[3] (%)	236	151	123	102	**89**
Accounts receivable turnover[3] (days)	1	1	1	1	**3**
Inventory turnover[3] (days)	32	36	55	114	**145**
Accounts payable turnover[3] (days)	21	22	25	27	**30**

Note:

1 The Company had no discontinued operations since 2011.

2 Calculated based on average equity.

3 Calculated exclusive of those held for sale.

Corporate Information

EXECUTIVE DIRECTORS

Zhang Shiping *(Chairman)*
Zheng Shuliang *(Vice Chairman)*
Zhang Bo *(Chief Executive Officer)*

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen

CHIEF FINANCIAL OFFICER

Zhang Ruilian

COMPANY SECRETARY

Zhang Yuexia

AUDIT COMMITTEE

Han Benwen *(Chairman)*
Xing Jian
Chen Yinghai

NOMINATION COMMITTEE

Xing Jian *(Chairman)*
Zhang Shiping
Han Benwen

REMUNERATION COMMITTEE

Han Benwen *(Chairman)*
Zhang Shiping
Xing Jian

AUTHORISED REPRESENTATIVES

Zhang Bo
Zhang Yuexia

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HEAD OFFICE IN THE PRC

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Zouping County
Shandong Province
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CAYMAN ISLANDS REGISTERED OFFICE

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LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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STOCK CODE

1378

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 31 DECEMBER 2014

6,160,880,000

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
27 March 2015

ANNUAL GENERAL MEETING

19 May 2015

EXPECTED DATE OF FINAL DIVIDEND PAYMENT

26 June 2015

Chairman's Statement

To all shareholders,

It is my pleasure to present on behalf of the board ("Board") of directors ("Directors', each as a "Director") of China Hongqiao Group Limited ("the Company" or "China Hongqiao") the audited consolidated annual results of the Company and its subsidiaries (collectively "the Group") for the year ended 31 December 2014 (the "Year" or the "Period under Review").

READY TO SURGE INTO THE FUTURE

During the Year, the US economy continued its upward trend bringing with it a momentum of recovery in global economy. Taking the advantage of the increase in market demand and the acceleration of industry integration, China's aluminum industry began to shake its plight in the Year and moved toward a benign development track of balanced supply and demand.

Starting from 12 January 2014, the Republic of Indonesia ("Indonesia") had completely prohibited the export of 65 kinds of raw ore materials including bauxite, causing a rise in the cost of raw materials for most of the aluminum products manufacturers in China. Meanwhile, the low volatility of the aluminum price during the Year will expedite the elimination of backward production capacity in the PRC market and facilitate the transformation and upgrade of the aluminum industry in China.

Taking advantage of the thawing of the aluminum market, the Group, through positive and improved development strategies, achieved remarkable results. In the Period under Review, the Group continued to broaden its financing channels and optimize its financial structure; actively procure overseas supply channels for raw materials in order to

ensure a long-term and stable supply of bauxite, strengthen the production cluster model of aluminum production in Shandong Province in China, implement a cross-over development in its business pattern, and accelerate the promotion of the industrial models of "Integration of Aluminum, Electricity and Grid" and "Integration of Upstream and Downstream Business". These in turn enhanced the improvement and upgrading of the Group's production chain.

RESULTS AND PERFORMANCE

During the Period under Review, the Group continued to expand its production capacity steadily, to build further on its strengths and achieved breakthrough in the development in various respects. As of 31 December 2014, the Group's aggregate annual designed production capacity of aluminum products reached approximately 4,026,000 tons through establishment and acquisition (as of 31 December 2013: approximately 2,956,000 tons), representing an increase of approximately 36.2% in production capacity when compared to the same period in 2013, and the Group further expanded its production scale.

During the Period under Review, the Group's revenue amounted to approximately RMB36,085,800,000, representing a year-on-year increase of approximately 22.7%. Gross profit amounted to approximately RMB9,296,468,000, representing a year-on-year increase of approximately 14.2%. Net profit attributed to owners of the Company amounted to approximately RMB5,313,632,000, representing a year-on-year decrease of approximately 5.0%. Basic earnings per share were approximately RMB0.89 (2013: approximately RMB0.95). The Board recommended the payment of a final dividend of HK$28.0 cents per share for the year 2014 (2013: HK$27.0 cents).

A PROMISING FUTURE: DEVELOPMENT OPPORTUNITIES FOR THE PRC ALUMINUM INDUSTRY

During the Period under Review, as the recovery of the global economy pushed up the demand for aluminum products, coupled with the shortage in supply of bauxite, aluminum price has rebounded since the end of the first quarter and reached its peak in the third quarter of the year of 2014. Even though the price of aluminum was affected by fluctuations in the external market in the forth quarter, with the demand for aluminum products continued to increasing vigorously, matching the expeditious integration of the industry, it was expected that aluminum price would resume its steadily upward track.

During the Year, PRC government closed down a total of approximately 3,350,000 tons of aluminum smelting production capacity (source: Antaike), a figure much greater than the target of eliminating approximately 480,000 tons of aluminum smelting backward production capacity in 2014 as promulgated by the PRC Ministry of Industry and Information Technology.

Meanwhile, through exchange of production capacity, many domestic aluminum manufacturers with backward production capacity in regions such as Henan Province and Shandong Province in China has gradually moved towards the Northwest regions. Although new production capacity was continuously being released in regions like Xinjiang and Inner Mongolia, as the process was accompanied by the closing down of backward production capacity, the actual net growth of aluminum products production capacity in the country has begun to decline. Within the industry, speeding up of integration of industry clusters may continue to lead the aluminum market forward onto a healthy track of sustainable development.

In the downstream business, the implementation of the PRC government's "One Belt, One Road" strategy would boost the construction of infrastructure in China and countries along the routes. This brings to China's aluminum industry business opportunity that has tremendous potential. Moreover, with the global trend of developing lightweight vehicles, it is expected that the quantity of aluminum for use in vehicles will continue to rise, which is another spotlight in the growth of the aluminum industry. Municipal transports construction, electronic industry, machinery manufacturing, military industry and construction of affordable housing will help to maintain a steady growth in the consumption of aluminum products in China.

SOLID FOUNDATION FOR THE GROUP'S LONG-TERM GROWTH

In the Period under Review, the Group not only made progress in expanding its industry production cluster, but also laid a solid foundation for securing the long-term and stable growth through arrangements in procuring raw materials from overseas.

During the Year, the Group recorded significant achievement in its overseas business. The first phase of the Group's alumina production joint venture set up in Indonesia with an designed annual production capacity of 1,000,000 tons of alumina will commence production in the end of 2015. By then, the Group's self-supplied alumina ratio will be further raised. Besides, the Group expanded the procurement channels of bauxite in places including Commonwealth of Australia, Republic of India and Federation of Malaysia, ensuring the continuous stable pricing and supply of bauxite in the coming few years and the Group will forward with the bauxite mining project in Guinea, Africa. The advantage of steady supply of raw materials will be further consolidated.

As the overseas procurement channels becoming more stable, the Group has been gradually absorbing its original bauxite inventory. With the Group's elaborate arrangements overseas, a steady supply of raw materials reduced to a large extent the fluctuation in price and the latent risks caused by fluctuations in supply and demand of raw materials, thus laying a solid ground for the long-term healthy and steady growth of the Group.

During the Year, the Group successfully engaged in several financing activities. It issued senior notes of US$400,000,000 and US$300,000,000, respectively, and issued 275,880,000 new shares by means of top-up placing, which further optimized the Group's financial structure.

Moreover, for two consecutive years, the Company was named as one of the Asia's Fab 50 in the Asia-Pacific Region by "Forbes Asia" magazine and selected as a constituent of the Hang Seng High Dividend Yield Index. On 28 October 2014, the Office of the Shandong People's Government announced the "Proposal for Implementation of the Transformation and Upgrade of Non-ferrous Metal Industry in Shandong", which stated clearly that focus would be on supporting the Company's wholly-owned subsidiary company, Shandong Weiqiao Aluminum and Power Company Limited ("Aluminum and Power") in developing into a large scale enterprise with complete aluminum industry chain, evidencing that the Group has gained recognition and support from the capital market and local government.

RELENTLESS PURSUIT OF GLORY

Looking back on the aluminum market in 2014, the stability of aluminum price sent a positive signal indicating that the Chinese aluminum industry had broken through the long-term weakness. With China's newly announced "One Belt, One Road" development strategy, new development opportunities were created for aluminum manufacturers in the country. The Group holds an optimistic but cautious view towards the future of China's aluminum industry.

Looking into the future, the Group will rely on its advantage, to further solidify the industrial models of "Integration of Aluminum and Electricity" and "Integration of Upstream and Downstream Business", expedite the development of the industry clusters, enhance its cost advantage and cost effectiveness, so as to consolidate its leading position in China's aluminum industry. At the same time, the Group will further invest in scientific research and technology developments, with the purpose of seeking progress and breakthroughs in developing clean productions and recycling economy, so as to advance in the direction of fully leading the aluminum industry in China. As an enterprise that possesses cost advantage and unique industry cluster development model, the Group will continue to benefit from the integration and upgrade of the aluminum industry process and the Board has full confidence in its future development.

Faced with a market condition that offers both opportunities and challenges, the Group will persevere with its core value of competitiveness, pay close attention to policy directions, take opportune chances of the market, actively handle future challenges, maintain a steady step in progress and create sizable returns and long-term value for shareholders.

APPRECIATION

The Group is not able to excel in its performance again without the excellent and efficient leadership of the Group's management, the untiring efforts and dedication of all employees, and the trust and support from all the shareholders, investors and business partners. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all of them.

Zhang Shiping
Chairman of the Board

27 March 2015

Management Discussion and Analysis

INDUSTRY REVIEW

During the Year, the global economy continued its recovery, causing the consumption of aluminum products to maintain a more speedy growth, while various foreign aluminum manufacturers continued to cut production, making the global aluminum market move closer to a balance in supply and demand. At the end of the first quarter, national aluminum price began to rise and reached its peak in the third quarter, reflecting the momentum of a recovery in global aluminum industry to a certain extent. Although aluminum price gradually suppressed in the fourth quarter, there was an apparent sign that it was on the rebound track for the whole year. At the end of December 2014, the three-month aluminum futures price quoted on the London Metal Exchange was approximately US$1,859 per ton and the three-month aluminum futures price quoted on the Shanghai Futures Exchange was approximately RMB13,060 per ton (value-added tax inclusive).

In the domestic market, the Chinese government has obviously strengthened the efforts in eliminating backward production capacity and oversupply. Although development of production of aluminum products continued in the western regions, the overall increase in the quantity of aluminum products produced had slowed down, giving China's aluminum market a hope of easing the imbalance in supply and demand. It is foreseeable that in the coming few years, the PRC government will continue to push for further integration in China's aluminum industry through the continuous implementation of macro policy management.

On the other hand, with the strategic arrangements of the PRC government's "One Belt, One Road" fully unfolding, the importance of building infrastructure within this strategic planning was further recognized. China's aluminum industry may make use of this platform of national planning in releasing production capacity to create new opportunities in the market. Furthermore, the trend in manufacturing lightweight vehicles will bring a promising outlook to the application of aluminum materials, coupled with the construction of municipal transports, development of downstream consumer industry such as electronic industry, which helped the sustainable and strong growth in the demand for aluminum products in the consumer market.

According to Antaike, the global production volume of primary aluminum in 2014 was approximately 54,000,000 tons, representing an increase of approximately 6.3% as compared with 2013. The global consumption of primary aluminum in 2014 amounted to approximately 54,860,000 tons, representing an increase of approximately 7.6% when compared with 2013. In the domestic market, the production volume of primary aluminum in 2014 was approximately 28,200,000 tons, representing an increase of approximately 12.4% as compared with 2013. The consumption of primary aluminum in China in 2014 amounted to approximately 28,050,000 tons, representing an increase of approximately 12.2% as compared with 2013.

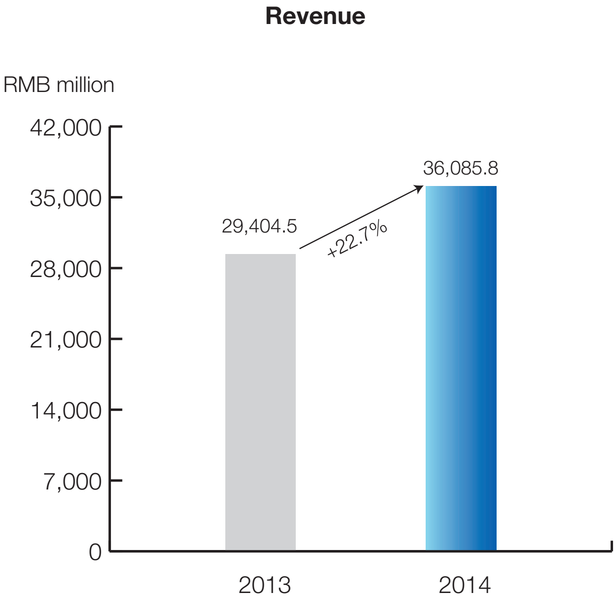
BUSINESS REVIEW

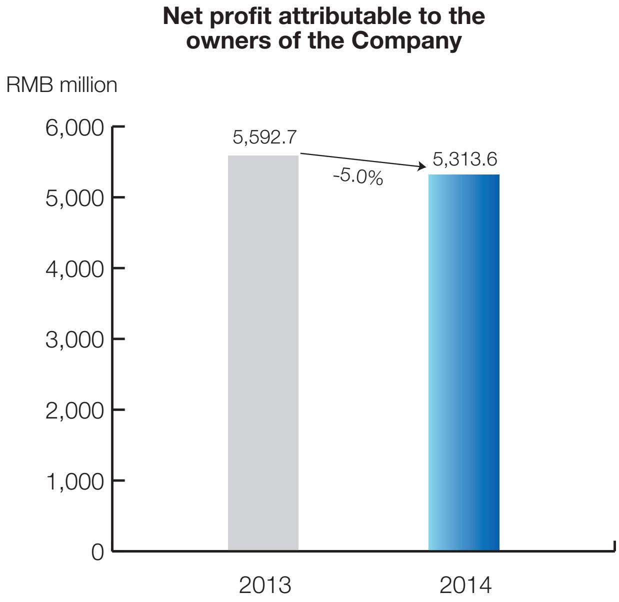
During the Year, the Group continued to move forward in the arrangements of procurement of foreign raw materials, to strengthen its unique industry cluster model, further extending its industry chain in production capacity and industry expansion, enhancing cost advantage and core competitiveness and consolidating its leading position in the industry.

As of 31 December 2014, the Group's aggregate designed annual production capacity of aluminum products reached approximately 4,026,000 tons by establishment and acquisition (as of 31 December 2013: approximately 2,956,000 tons), representing an increase of approximately 36.2% as compared with the corresponding period.

Driven by the increasing downstream market demand, the Group's production of aluminum products in 2014 amounted to approximately 3,158,000 tons, representing a year-on-year increase of approximately 33.4%. Production volume of aluminum alloy processed products reached approximately 188,000 tons, representing an increase of approximately 179.0% as compared with the corresponding period.

The Group's revenue and net profit attributed to the owners of the Company for the year ended 31 December 2014, with comparison figures for the year ended 31 December 2013, are as follows:





For the year ended 31 December 2014, the Group recorded revenue of approximately RMB36,085,800,000, representing a year-on-year growth of approximately 22.7%, mainly due to an increase in the Group's production and sales volume of aluminum products following a further increase in the Group's production capacity of aluminum products. During the Year, sales volume for the Group's aluminum products and aluminum alloy processed products reached in total approximately 3,129,302 tons, representing an increase of approximately 31.2% when compared to approximately 2,385,550 tons of the previous year. As affected by the price movement in China's aluminum market, the average selling price of our aluminum products decreased by approximately 6.2% from approximately RMB12,252 per ton (excluding value-added tax) in 2013 to approximately RMB11,488 per ton (excluding value-added tax) in the year.

For the year ended 31 December 2014, net profit attributable to the owners of the Company amounted to approximately RMB5,313,632,000, representing a year-on-year decrease of approximately 5.0%, mainly attributable to the decrease in the average selling price of aluminum products when compared with the corresponding period of the previous year, loss in foreign exchange and increase in part of the expenses resulting in a decrease in profit, although there was an increase in the sales volume of the Group's aluminum products in the Year.

The table below is a comparison of the breakdown of revenue by product for the years ended 31 December 2014 and 2013.

Revenue breakdown by product

	For the year ended 31 December			
	2014		2013	
Products	**Revenue**	**Percentage of total revenue**	Revenue	Percentage of total revenue
	RMB'000	**%**	RMB'000	%
Molten aluminum alloy	**31,009,199**	**85.9**	23,527,351	80.0
Aluminum alloy ingots	**2,759,627**	**7.6**	4,951,186	16.8
Aluminum busbars	**8,054**	**0.1**	21,572	0.1
Aluminum alloy processed products	**2,173,397**	**6.0**	727,512	2.5
Steam	**135,523**	**0.4**	176,841	0.6
Total	**36,085,800**	**100.0**	29,404,462	100.0

As for revenue, the Group's revenue derived from aluminum products was approximately RMB35,950,277,000, accounting for approximately 99.6% of total revenue for the year ended 31 December 2014, among which the percentage share of aluminum alloy ingots in the revenue decreased while the percentage share of molten aluminum alloy in the revenue increased, which was mainly resulted from an increase in the sales volume of molten aluminum driven by the demand increase from and within the aluminum industry cluster located in the Group's production base. Revenue derived from sales of steam was approximately RMB135,523,000, accounting for approximately 0.4% of the total revenue. The decrease in the revenue derived from sales of steam was mainly because of the Group using part of the steam during the process of the production of the major raw materials, thus the steam available for sale to the third party decreased accordingly.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin from its major products for the year ended 31 December 2014 and 2013.

	For the year ended 31 December					
	2014			2013		
Products	**Revenue RMB'000**	**Gross profit RMB'000**	**Gross profit margin %**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Aluminum products	**35,950,277**	**9,234,867**	**25.7**	29,227,621	8,077,708	27.6
Steam	**135,523**	**61,601**	**45.5**	176,841	65,094	36.8
Total	**36,085,800**	**9,296,468**	**25.8**	29,404,462	8,142,802	27.7

For the year ended 31 December 2014, the overall gross profit margin was approximately 25.8%, and was decreased by approximately 1.9 percentage points as compared to approximately 27.7% for the corresponding period of the previous year. This was mainly due to the decrease in unit sales price of aluminum products during the Year compared to the corresponding period of the previous year, resulting in a narrowed profit margin. The Group expects that with the gradual increase in the self-supplied power ratio and self supply of raw materials, there will be a positive effect on the Group's overall gross profit margin.

Distribution and selling expenses

The Group's distribution and sales expenses is approximately RMB94,520,000, increased approximately by 57.2% for the year ended 31 December 2014 as compared to approximately RMB60,128,000 for the corresponding period of the previous year. This was mainly attributable to the increase in sales volume of the Group's aluminum products, resulting in a corresponding increase in transportation costs.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2014 amounted to approximately RMB610,884,000, representing an increase of approximately 38.8% when compared to approximately RMB440,171,000 for the corresponding period of the previous year. Such an increase was mainly due to the fact that, on the one hand, there was an increase in employee headcounts and their remuneration for the expansion of the Group's production scale; on the other hand, the Group's building of new plant resulted in the increase in local tax payables, the increase of property taxes and the increase in bank commission charges.

Other expenses

For the year ended 31 December 2014, other expenses of the Group amounted to approximately RMB79,940,000, representing an increase of approximately 43.6% when compared to approximately RMB55,662,000 for the corresponding period of the previous year. The major addition was the exclusive costs of the Group's acquisition of Guinea bauxite.

Finance costs

For the year ended 31 December 2014, finance costs of the Group were approximately RMB1,797,847,000, representing an increase of approximately 32.3% when compared to approximately RMB1,359,200,000 for the corresponding period of the previous year. This was mainly due to a increase in the total debts during the Year when compared to the corresponding period of the previous year and an increase in average loan interest rate, resulting in an increase in interest expenses charged to the Group.

Liquidity and financial resources

As at 31 December 2014, cash and cash equivalents of the Group amounted to approximately RMB7,676,335,000, representing an increase of approximately 20.7% when compared to that of approximately RMB6,362,070,000 as at 31 December 2013.

For the year ended 31 December 2014, the Group had a net cash outflow from investing activities of approximately RMB10,316,274,000, a net cash inflow from financing activities of approximately RMB2,108,172,000, and a net cash inflow from operating activities of approximately RMB9,522,336,000.

For the year ended 31 December 2014, the capital expenditure of the Group amounted to approximately RMB11,001,973,000, mainly used for the expansion of its aluminum production capacity for aluminum products and the construction of advanced processing facilities, ancillary captive power facilities and alumina production plant in Indonesia.

As at 31 December 2014, the Group had a capital commitment of approximately RMB22,672,553,000, representing projects in respect of the capital expenditure for purchase of property, plant and equipment, which are primarily used for the production capacity expansion for aluminum products, construction of high-end aluminum processing facilities, ancillary captive power facilities, alumina production plant in Indonesia, and the future project of acquisition of a bauxite mine in Republic of Guinea, Africa.

For the year ended 31 December 2014, the Group's average turnover days of trade receivables were approximately 3 days, representing an increase of 2 days when compared to the corresponding period in the previous year, mainly because that the settlement method of the sales of the Group's aluminum alloy processed products is cash on delivery and the Group's customers are granted certain credit period. Following the continuous increase in sales volume of alloy processed products, the Group's average turnover days of receivables increased. However, as payments for goods were needed prior to delivery for most of the Group's aluminum products, if the actual payment for goods exceeded that of the prepaid amounts from customers, the Group in effect granted to customers not more than 90 days of credit period, and therefore the Group's trade receivables turnover period was still in a relatively low level.

For the year ended 31 December 2014, the Group's turnover days of inventory was approximately 145 days, representing an increase of approximately 31 days when compared to approximately 114 days for the corresponding period of the previous year, which was mainly because that, starting from 2014, the Group continued to increase its bauxite reserve and the bauxite reserve still had high inventory in the Year so as to reduce the adverse effect that might be brought on by Indonesia's bauxite export prohibition and ensure the supply of the Group's raw materials.

Contingent liability

As of 31 December 2014, the Group has no contingent liability.

Income tax

The Group's income tax for 2014 amounted to approximately RMB2,026,366,000, increased by approximately 13.0% when compared to approximately RMB1,792,946,000 for the corresponding period of the previous year, which was mainly attributable to increased expenditures for deferred tax credit of the Group.

Net profit attributable to owners of the Company and earnings per share

Net profit attributable to owners of the Company was approximately RMB5,313,632,000 for the year ended 31 December 2014, representing a decrease of approximately 5.0% when compared to approximately RMB5,592,675,000 for the corresponding period in the previous year.

Basic earnings per share of the Company in 2014 were approximately RMB0.89 (2013: approximately RMB0.95).

Capital structure

The Group had built an appropriate liquidity risk management framework to secure the short-term, medium-term, and long-term funding and to satisfy its liquidity risk management requirements. As of 31 December 2014, cash and cash equivalents of the Group amounted to approximately RMB7,676,335,000 (31 December 2013: approximately RMB6,362,070,000), which were mainly deposited with commercial banks. As at 31 December 2014, the total liabilities of the Group amounted to approximately RMB50,921,818,000 (as at 31 December 2013: approximately RMB38,295,991,000). Gearing ratio (total liabilities to total assets) was approximately 61.1% (as at 31 December 2013: approximately 58.8%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 31 December 2014, approximately 24.9% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 75.1% were subject to floating interest rates.

The Group used part of its restricted bank deposits, notes receivables, equipment and prepaid lease payments as collateral for its bank borrowings to partially finance its daily operations and project construction. As of 31 December 2014, the Group's secured bank borrowings amounted to approximately RMB594,969,000 (as at 31 December 2013: approximately RMB4,384,686,000).

The Group aims to maintain a balance between the continuity and flexibility of funds by employing bank loans. As of 31 December 2014, approximately 39.3% of the Group's bank borrowings will become due within one year.

As at 31 December 2014, the current liabilities of the Group were more than the current assets by approximately RMB3,160,832,000. In 2015, the Group will continue to develop other financing channels by increasing part of the long-term and short-term borrowings and adjusting the structure of long-term and short-term debts. Besides, the Group will properly control the capital expenditure, to sustain its existing production capacity, control its production costs, improve the profitability and improve its cash flow position, so as to maintain the adequate liquidity of the Group's capital. Having considered the fact that the Group did not encounter difficulty in renewal the short term bank borrowings of the Group upon maturity, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

As at 31 December 2014, the Group' bank borrowings were mainly denominated in Renminbi, US Dollars and Hong Kong Dollars for calculation, among which, Renminbi loans, US Dollar loans and Hong Kong Dollar loans accounted for approximately 44.2%, approximately 50.2% and approximately 5.6% respectively, of the bank borrowings. Cash and cash equivalents were mainly held in Renminbi and US Dollars, among which approximately 90.3% of the cash and cash equivalents was held in Renminbi and approximately 9.6% of the cash and cash equivalents was held in US Dollars.

Employee and remuneration policy

As at 31 December 2014, the Group had a total of 46,210 employees, increased by 7,890 employees when compared to that of the corresponding period of the previous year. The main reason for the increase was as a result of the expansion of its production capacity and adaptation to production needs during the Period under Review. The Group recruited additional staff and enriched our reserve of human resources simultaneously. During the Year, total staff costs amounted to approximately RMB2,095,852,000, representing approximately 5.8% of our revenue. The remuneration packages of the Group's employees include salary and various types of allowances.

In addition, the Group has established a performance-based incentive mechanism, under which employees may be awarded additional bonus. The Group is providing training programmes for our employees to equip themselves with the requisite skills and knowledge.

Foreign exchange risk

The Group collected most of its revenue in Renminbi and funded most of its capital expenditures in Renminbi. Due to the importation of bauxite and production equipment, and as certain bank balances, borrowings, convertible bonds and senior notes are denominated in foreign currencies, we are exposed to certain risk of foreign exchange. As of 31 December 2014, our bank balances denominated in foreign currencies were approximately RMB747,371,000, and liabilities denominated in foreign currencies were approximately RMB16,005,072,000. For the year ended 31 December 2014, the Group recognized foreign exchange loss of approximately RMB107,530,000.

For the year ended 31 December 2014, the transactions of the financial instrument foreign currency forward contract of the Group completed upon contractual maturity. Saved as the above foreign currency forward contract, the Group didn't use other financial instruments for exchange rate hedging purpose.

Events after the period

On 5 March 2015, Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 5 March 2016. The debentures bear fixed interest at 5.72% per annum. Interest is payable annually in arrears.

On 23 March 2015, Shandong Hongqiao issued the first tranche of the private placement notes, of a principal amount of RMB1,000,000,000 with a maturity date of 23 March 2016. The notes bear fixed interest at 6.80% per annum. Interest is payable annually in arrears.

DIRECTORS

Our Board is responsible and has general powers for the management and development of our business. The table below shows certain information in respect of members of our Board:

Name	Age	Position
ZHANG Shiping	68	Chairman and executive Director
ZHENG Shuliang	68	Vice chairman and executive Director
ZHANG Bo	45	Chief executive officer and executive Director
YANG Congsen	45	Non-executive Director
ZHANG Jinglei	38	Non-executive Director
XING Jian	65	Independent non-executive Director
CHEN Yinghai	55	Independent non-executive Director
HAN Benwen	64	Independent non-executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 68, was appointed the chairman and an executive Director of our Company on 16 January 2011. He is the founder of our Group and joined Aluminum & Power in December 2002 as a director. He has nine years' experience in aluminum industry since the commencement of aluminum business in 2006. He is responsible for the overall strategic planning of our Group. He graduated from Anhui College of Finance and Trading (安徽財貿學院) and obtained a diploma in cotton testing in December 1991. He is recognized as a qualified senior economist by the Shandong Economic Professional and Technical Title Senior Evaluating Committee (山東省經濟專業職務高級評審委員會) in 1989. Mr. Zhang Shiping has been the director of Shandong Hongqiao since July 1994. He held the positions of general manager of Shandong Weiqiao Chuanye Group Company Limited (山東魏橋創業集團有限公司) ("Chuanye Group") (including its predecessor) from March 1996 to April 1998, the chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) ("Weiqiao Textile") (including its predecessor) from May 1998 to October 2000, a director of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) ("Binzhou Industrial Park") from November 2001 to May 2010 and chairman of Binzhou Weiqiao Aluminum Technology Co., Ltd. (濱州魏橋鋁業科技有限公司) ("Aluminum Technology") from December 2002 to September 2007. He is currently the chairman of Chuangye Group, a Non-Executive Director of Weiqiao Textile (stock code: 2698.HK), Chairman of Shandong Weiqiao Investment Holding Limited (山東魏橋投資控股有限公司) (formerly named as Zouping Supply and Marketing Investment Co., Ltd (鄒平供銷投資有限公司)), Party Secretary of Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社), chairman of China Hongqiao Holdings Limited (中國宏橋控股有限公司) ("Hongqiao Holdings") and chairman of Weiqiao Pioneering (Hong Kong) Import & Export Company Limited. He was a deputy to the 9th, 10th and 12th National People's Congress and was selected by the State Council as "National Model Worker in 1995". He is the husband of Ms. Zheng Shuliang, the father of Mr. Zhang Bo and the father-in-law of Mr. Yang Congsen.

Ms. Zheng Shuliang (鄭淑良), aged 68, was appointed the vice chairman and an executive Director of our Company on 16 January 2011. She joined our Group in July 2009 and has been a director and vice chairman of Shandong Hongqiao. She held the positions of the section chief, director of metering division of raw materials purchase department and deputy director of raw materials supply department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Chuangye Group from June 1999 to June 2001. She is the wife of Mr. Zhang Shiping, the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen.

Mr. Zhang Bo (張波), aged 45, was appointed an executive Director and chief executive officer of our Company on 16 January 2011. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and obtained a bachelor's degree in economics in August 1996. He also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He joined our Group in 2006 and has been the general manager and the chairman of the board of directors of Aluminum & Power since November 2006. Mr. Zhang Bo has 8 years' experience in aluminum industry. He is familiar with the aluminum industry and has been equipped with the expertise in the aluminum industry. He is responsible for overseeing our Group's general operation, for our Group. He has more than 16 years of management experience. He had also been the deputy general manager of Chuangye Group from April 1998 to February 1999, general manager, executive director, chairman of Weiqiao Textile (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010 and the chairman and general manager of Binzhou Industrial Park from November 2001 to May 2010. He is currently a director of Chuangye Group, a director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) ("Hongqiao Trading") since April 2012 and a director of Hongqiao Investment (Hong Kong) Limited since January 2015. He is a deputy to the People's Congress of Shandong Province, vice president of China Non-ferrous Metals Industry Association since March 2015 and was selected by the State Council as "National Model Worker" in 2010. Mr. Zhang Shiping is his father and Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 45, was appointed a non-executive Director of our Company on 16 January 2011. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. Mr. Yang obtained a master's degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He joined our Group in January 2007 and has over 14 years' management experiences. He was responsible for the production and operation of the self-owned power plants of our Group and was also the deputy general manager of Aluminum & Power prior to the listing of our Company in 2011. He held the positions of the network administrator of human resources division of Chuangye Group (including its predecessor) from October 1997 to December 1999, head of thermal power plant of Chuangye Group from December 1999 to October 2003, and deputy general manager of Chuangye Group from January 2005 to June 2006. He is currently a director of Chuangye Group. He is the son-in-law of Mr. Zhang Shiping and Ms. Zheng Shuliang and the brother-in-law of Mr. Zhang Bo.

Mr. Zhang Jinglei (張敬雷), aged 38, was appointed a non-executive Director of our Company on 16 January 2011. He joined our Group in January 2011. He graduated from Xi'an Engineering College (西安工程學院) and obtained the junior college diploma in proximate analysis in July 1997. He joined Weiqiao Textile (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile (including its predecessor) from September 1998 to September 2000. He worked at the securities office, production technology section and the securities department of Weiqiao Textile from October 2000. He is currently an executive director and company secretary of Weiqiao Textile (Stock Code: 2698.HK).

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 65, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) and obtained a university diploma in economics and management in December 1995. He held the positions of deputy secretary and secretary of Weiqiao Town of Zouping County from August 1982 to October 1985, deputy mayor of Zouping County from October 1985 to February 1987, deputy secretary and county mayor of Gaoqing County from February 1987 to January 1994, director and party secretary of Audit Bureau of Zibo City of Shandong Province from July 1994 to March 1999, deputy commissioner and party secretary of Special Commissioner Office of National Auditing Administration in Jinan from April 1999 to January 2001, deputy director of Head Office Service Bureau of National Auditing Administration from January 2001 to May 2002, director of Building Materials Auditing Bureau of National Auditing Administration from May 2002 to August 2008 and auditor of Social Insurance Auditing Bureau of National Auditing Administration from August 2008 to June 2009.

Mr. Chen Yinghai (陳英海), aged 55, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from the School of Textile Science and Technology of Beijing Union University (北京聯合大學紡織工程學院) majoring in wool spinning and weaving and obtained the bachelor degree in engineering in July 1987. He held the position of the deputy section head of China Non-cotton Yarns & Fabrics Import & Export Co. (中紡化纖毛麻進出口公司) from December 1990 to April 1991, employer of Chinatex Industry Co., Ltd (中紡實業有限公司) from May 1991 to November 1994, general manager of Chinatex Singapore Trading Co., Ltd (中紡新加坡貿易有限公司) from December 1994 to November 1997, general manager of Chinatex Cotton Yarns and Fabrics Import & Export Corp. (中紡紗布進出口公司) from March 1998 to December 2000, director of representative office of Chinatex in Shanghai (中國紡織品進出口總公司) from March 2003 to May 2004. He is currently an executive director of RFH Equities Co., Ltd (融豐行投資有限公司) since October 2001.

Mr. Han Benwen (韓本文), aged 64, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognized by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. Mr. Han worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) (formerly known as Zouping Jianxin Certified Public Accountants Corporation) as an accountant from December 1999 to February 2007. He is currently working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

SENIOR MANAGEMENT

Ms. Zhang Ruilian (張瑞蓮), aged 37, is the vice president and the chief financial officer of our Company. She joined our Group in June 2006 and has over 14 years' accounting experience. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She held the positions of the manager of audit department of Chuangye Group from December 2005 to June 2006 and manager of accounting department of Aluminum & Power from June 2006 to July 2009. She is currently the manager of accounting department and the director (since December 2014) of Aluminum & Power, a manager of accounting department of Shandong Hongqiao and a director of Hongqiao Trading since April 2012.

Mr. Deng Wenqiang (鄧文強), aged 43, is the vice president of our Company. He graduated from Kunming University of Science and Technology (昆明理工大學) and obtained a bachelor's degree in non-ferrous metal metallurgy in July 1995 and is a qualified engineer. Mr. Deng Wenqiang joined our Group in January 2003. He is responsible for the production, research and development of aluminum products of our Group. He previously held the positions of workshop director, vice factory director and factory director of Aluminum & Power from January 2003 to June 2006. He is currently the deputy general manager of Aluminum & Power and deputy general manager of Shandong Hongqiao, the executive director and manager of Huimin County Huihong New Aluminum Profiles Co., Ltd.(惠民縣滙宏新材料有限公司) and executive director and manager of Binzhou Beihai Huihong New Aluminum Profiles Co., Ltd.(濱州北海匯宏新材料有限公司). In 2000, he was awarded the first prize for his quality control achievements by Shandong Province Metallurgical Industry Corporation. In 2005, he was recognized as the Advanced Individual of Science and Technology Work by Shandong Province Metallurgical Industry Corporation. He was elected as the representative of the 15th People's Congress of Zouping County and the 9th People's Congress of Binzhou Municipality.

COMPANY SECRETARY

Ms. Zhang Yuexia (張月霞), aged 39, was appointed the secretary of our Company on 16 January 2011. She graduated from Binzhou Normal Specialised Postsecondary College (濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She has over 13 years' accounting experience. She held the positions of the manager and section chief of accounting department of Chuangye Group from December 2001 to July 2009 and the deputy manager of the securities department of Weiqiao Textile from March 2008 to January 2010. She is currently the director of Hongqiao Trading since April 2012. Ms. Zhang Yuexia had not served any position in our Group prior to 16 January 2011.

The Directors of the Company present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and sales of aluminum products. Currently, the Group's aluminum products consist of molten aluminum alloy, aluminum alloy ingots, aluminum busbars and aluminum alloy processing products.

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2014 and the financial position of the Group as at 31 December 2014 are set out on pages 42 to 44 in the audited consolidated financial statements of this annual report.

The Board proposed the payment of a final dividend of HK$28.0 cents per share for the year ended 31 December 2014. The proposed final dividends, subject to the approval of the shareholders at the 2014 annual general meeting, will be paid on 26 June 2015 to the shareholders whose names appear on the register of members of the Company on 5 June 2015.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Wednesday, 13 May 2015 to Tuesday, 19 May 2015 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the 2014 annual general meeting of the Company and vote at the meeting, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Tuesday, 12 May 2015. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The share register of the Company will be closed from Tuesday, 2 June 2015 to Friday, 5 June 2015 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the final dividend, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Monday, 1 June 2015. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group for the years ended 31 December 2010, 2011, 2012 and from the audited consolidated financial statements of the Group for the years ended 31 December 2013 and 2014 on pages 42 to 44 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
CONTINUING OPERATIONS					
Revenue	15,131,591	23,626,031	24,804,742	29,404,462	**36,085,800**
Cost of sales	(9,389,722)	(15,449,645)	(16,801,294)	(21,261,660)	**(26,789,332)**
Gross profit	5,741,869	8,176,386	8,003,448	8,142,802	**9,296,468**
Other income and gain and loss	210,535	311,960	422,439	988,158	**631,490**
Distribution and selling costs	(19,977)	(44,054)	(58,667)	(60,128)	**(94,520)**
Administrative expenses	(112,038)	(167,033)	(306,068)	(440,171)	**(610,884)**
Other expenses	(42,815)	(22,569)	(20,121)	(55,662)	**(79,940)**
Finance costs	(192,990)	(300,819)	(642,731)	(1,359,200)	**(1,797,847)**
Changes in the fair value of compound derivative	–	–	2,253	163,596	**(17,034)**
Profit before taxation	5,584,584	7,953,871	7,400,553	7,379,395	**7,327,733**
Income tax expense	(1,395,868)	(2,078,461)	(1,947,961)	(1,792,946)	**(2,026,366)**
Profit for the year from continuing Operations	4,188,716	5,875,410	5,452,592	5,586,449	**5,301,367**
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	31,515	–	–	–	**–**
Profit for the year	4,220,231	5,875,410	5,452,592	5,586,449	**5,301,367**
Profit (loss) for the year attributable to:					
Owners of the Company	4,195,738	5,875,410	5,452,592	5,592,675	**5,313,632**
Non-controlling interests	24,493	–	–	(6,226)	**(12,265)**

Assets and liabilities

	As at 31 December				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Total assets	13,345,696	29,669,048	44,376,717	65,178,536	**83,355,832**
Total liabilities	6,043,155	11,272,014	22,038,820	38,295,991	**50,921,818**

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2014 are set out in Note 16 to the consolidated financial statements.

As at 31 December 2014, the carrying value of the Group's property, plant and equipment was of approximately RMB 54,852,855,000, representing an increase of approximately 37.1% when compared to approximately RMB 39,996,661,000 for the corresponding period of the previous year, which was mainly attributable to the the expansion of the Group's aluminum production capacity for aluminum products during the Year and the carrying value of the corresponding property, plant and equipment (net of depreciation) caused by the construction of advanced processing facilities, ancillary captive power facilities and alumina production plant in Indonesia increased by approximately RMB7,889,062,000. Also, an indirect wholly-owned subsidiary of the Company, Binzhou Municipal Zhengtong New Aluminum Profiles Co., Ltd. ("Zhengtong"), purchased the 100% equity interest in Binzhou Municipal Binbei New Material Co., Ltd. ("Binzhou Municipal Binbei"), and the corresponding property, plant and equipment increased. As of 31 December 2014, the Group's aggregate annual designed production capacity of aluminum products reached approximately 4,026,000 tons through establishment and acquisition (as of 31 December 2013: approximately 2,956,000 tons), representing an increase of approximately 36.2% in production capacity when compared to the same period in 2013.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2014 are set out in Note 27 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the changes in share capital of the Company during the year ended 31 December 2014 and as at that date are set out in Note 32 to the consolidated financial statements. The Company does not have any share option scheme.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under articles of association of the Company (the "Articles of Association"), and there is no restriction against such rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2014 and as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2014 and up to the date of this report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares or debentures of the Company or any other associated corporations, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the shares or debentures of the Company or any other associated corporations or had exercised any such right in the period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The shares of the Company has been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 March 2011. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2014 and up to the date of this report.

CONVERTIBLE BONDS

Pursuant to the announcement of the Company issued on 21 March 2012 in relation to the proposed issue of US$150,000,000 6.5% convertible bonds due 2017, all conditions precedent under the subscription agreement have been satisfied (or waived) and completion of the subscription agreement took place on 10 April 2012. For further details, please refer to the above mentioned announcement.

Approval has been granted for the listing of the convertible bonds on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The convertible bonds have been listed and quoted on the SGX-ST with effect from 9:00 a.m. 11 April 2012. The approval in-principle granted for the listing of the convertible bonds on the SGX-ST is not to be taken as an indication of the merits of the convertible bonds. Approval for the listing of, and permission to deal in, the convertible shares has been granted by the Stock Exchange.

The proceeds from issuance of convertible bonds by the Group has been used up in 2012 and entirely used for the improvement of aluminum products capacity and the setting up of captive power facilities of the Group.

CORPORATE BONDS

On 12 September 2013, the Company's subsidiary, Shandong Hongqiao, obtained the "Approval for the Issue of 2013 Corporate Bonds by Shandong Hongqiao New Material Co., Ltd. (Fa Gai Cai Jin (2013) No. 1654)" from National Development and Reform Commission, approving Shandong Hongqiao to issue the corporate bonds of no more than RMB2,300,000,000 in the PRC. On 3 March 2014, the issuance of the seven-year domestic corporate bonds (first tranche) was completed by Shandong Hongqiao, with a final offering size of RMB1,200,000,000 and the coupon rate was 8.69%. The seven-year domestic corporate bonds (second tranche) was completed on 21 August 2014 by Shandong Hongqiao, with a final offering size of RMB1,100,000,000. The coupon rate was 7.45%. Please refer to the announcements of the Company dated 13 September 2013, 28 February 2014 and 21 August 2014 for details.

SENIOR NOTES IN JUNE 2014

On 26 June 2014, the Company issued 7.625% senior notes due 2017 in the aggregate principal amount of US$400,000,000. Please refer to the announcements of the Company dated 16 June 2014, 20 June 2014 and 30 June 2014.

PLACING IN SEPTEMBER 2014

On 10 September 2014, the Company completed the placing of 275,880,000 shares to public shareholders. Please refer to the announcements of the Company dated 5 September 2014 and 18 September 2014.

SENIOR NOTES IN OCTOBER 2014

On 27 October 2014, the Company issued 6.875% senior notes due 2018 in the aggregate principal amount of US$300,000,000. Please refer to the announcements of the Company dated 27 October 2014 and 6 November 2014.

ACQUISITION OF THE 100% EQUITY INTEREST IN THE TARGET COMPANY IN DECEMBER 2014

On 22 December 2014, an indirect wholly-owned subsidiary of the Company, Zhengtong purchased the 100% equity interest in Binzhou Municipal Binbei. Please refer to the announcement of the Company dated 22 December 2014.

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2014 are in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Group's reserves amounted to approximately RMB31,686,472,000 of which approximately RMB6,947,788,000 was capital reserve, approximately RMB3,801,171,000 was statutory surplus reserve and approximately RMB20,937,513,000 was retained earnings. The Group's profits of approximately RMB21,042,340,000 generated from 1 January 2008 up to 31 December 2014 will not be distributed in the foreseeable future.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2014, sales to the Group's five largest customers accounted for 62.1% of the Group's total sales for the year ended 31 December 2014, and sales to its largest customer accounted for 31.4% of the Group's total sales for the year ended 31 December 2014.

During the year ended 31 December 2014, purchases from the Group's five largest suppliers accounted for 46.7% of the Group's total purchases for the year ended 31 December 2014, and purchases from the Group's largest supplier accounted for 35.3% of the Group's total purchases for the year ended 31 December 2014.

To the best knowledge of the Directors, none of the Directors and their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any equity interests in the five major customers and suppliers of the Company during the Period under Review save as disclosed in this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"), and the Board considers each of the independent non-executive Directors to be independent.

EMOLUMENTS OF DIRECTORS

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of the Company with reference to the Directors' duties, responsibilities and performance. None of the Directors waived any emoluments during the Year.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than one month's notice in writing served by either the Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association. None of the Directors proposed for re-election at the 2014 annual general meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Directors of the Company as at the date of this annual report are as follows:

Executive Directors:

Mr. ZHANG Shiping *(Chairman)*
Ms. ZHENG Shuliang *(Vice Chairman)*
Mr. ZHANG Bo *(Chief Executive Officer)*

Non-Executive Directors:

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors:

Mr. XING Jian
Mr. CHEN Yinghai
Mr. HAN Benwen

DIRECTORS AND SENIOR MANAGEMENT

The biographies of each of the Directors and senior management are set out on page 17 to page 20 in this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2014 and up to the date of issuance of this report.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2014, so far as it is known to the directors and chief executive of the Company, the following persons (other than the directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping[(1)]	Interest of a controlled corporation	5,000,000,000	81.16
Ms. ZHENG Shuliang[(2)]	Interest of spouse	5,000,000,000	81.16
Prosperity Eastern Limited[(3)]	Trustee	5,000,000,000	81.16
Hongqiao Holdings	Beneficial owner	5,000,000,000	81.16

Notes:

(1) Mr. ZHANG Shiping is the legal and beneficial owner of the entire issued share capital of Hongqiao Holdings and is deemed to be interested in the shares of the Company held by Hongqiao Holdings.

(2) Ms. ZHENG Shuliang, the spouse of Mr. ZHANG Shiping, is deemed to be interested in all the shares of the Company in which Mr. ZHANG Shiping is interested.

(3) Prosperity Eastern Limited as the trustee holds such interests in shares on behalf of Mr. ZHANG Shiping.

Save as disclosed above, as at 31 December 2014, no other person had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

DIRECTORS' AND CHIEF EXECUTIVE OF THE COMPANY'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the directors and chief executive had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules, were as follows:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping[(1)]	Interest of a controlled corporation	5,000,000,000	81.16
Ms. ZHENG Shuliang[(2)]	Interest of spouse	5,000,000,000	81.16

Notes:

(1) The interests of Mr. ZHANG Shiping in the Company were held through its wholly-owned subsidiary Hongqiao Holdings.

(2) Ms. ZHENG Shuliang, the spouse of Mr. ZHANG Shiping, is deemed to be interested in all the shares of the Company in which Mr. ZHANG Shiping is interested.

Save as disclosed above, as at 31 December 2014, none of the directors or the chief executive of the Company or any of their spouse or children under the age of 18 had or were deemed or taken to have an interest or short position in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or subsisted during the year ended 31 December 2014.

CONNECTED TRANSACTIONS

The related party transactions disclosed in Note 39 to the consolidated financial statements constituted connected transactions under the Listing Rules, and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

Purchase of carbon anode blocks from Aluminum Technology and supply of slag of carbon anode blocks to Aluminum Technology

(i) Terms of the Agreement

We have entered into a purchase and supply framework agreement, or the Agreement, dated 22 November 2010 for a term of three years with Aluminum Technology, pursuant to which Aluminum Technology has agreed to supply carbon anode blocks to our Group for our production of aluminum products and our Group has agreed to supply slag of carbon anode blocks to Aluminum Technology, on the terms no less favorable than those offered by any Independent Third Parties (in the case of purchase of carbon anode blocks from Aluminum Technology) or offered to any Independent Third Parties (in the case of supply of slag of carbon anode blocks to Aluminum Technology). The term of the agreement shall be expired by 31 December 2012. The agreement was renewed on 26 October 2012 for a period of three years commencing from 1 January 2013 and ending on 31 December 2015 in accordance with the automatic renewal mechanism set out in the agreement. Please refer to the announcement issued by the Company on 26 October 2012 for details of the renewal of the Agreement. As at the date of the annual report, Aluminum Technology is a wholly-owned subsidiary of Chuangye Group and Mr. Zhang Shiping, the controlling shareholder of the Company, holds approximately 31.59% interest in Chuangye Group directly and indirectly. Aluminum Technology is one of our principal suppliers of carbon anode blocks and has a stable business relationship with us, in which they have provided a reliable and timely supply of carbon anode blocks to us and we have provided a reliable supply of slag of carbon anode blocks to them. Aluminum Technology will use the slag as part of its raw materials. The close geographical location of the respective operations of our Group and Aluminum Technology also offer us benefits such as timely delivery and costs effectiveness.

(ii) Pricing

The pricing of purchase of carbon anode blocks from Aluminum Technology by our Group and the supply of slag of carbon anode blocks by our Group to Aluminum Technology will be determined by the following principles:

(a) the price as prescribed in accordance with the relevant regulations of the PRC government or the relevant authorities; or

(b) if no such price is prescribed by the relevant regulations of the PRC government or the relevant authorities, the price of purchasing the carbon anode blocks and supplying of slag of carbon anode blocks will be determined based on the following, whichever is the lower:

   (i) the market price in accordance with paragraph (c) below; or

   (ii) the price as agreed between the parties under the Agreement, and in respect of the purchase of carbon anode blocks from Aluminum Technology, such agreed price shall not be more than the actual costs of producing the carbon anode blocks by Aluminum Technology, and in respect of the supply of slag of carbon anode blocks to Aluminum Technology, such agreed price shall not be less than the actual costs of supplying the slag of carbon anode blocks, in both cases plus a margin of an agreed rate (which shall not be more than the annual growth rate of the gross domestic product of Shandong Province at the end of each calendar year released by National Bureau of Statistics of China) of such costs; or

(c) the market price, which shall be determined on normal commercial terms no less favorable than the terms offered by Independent Third Parties in Shandong Province.

The details of the above transactions were disclosed in the Prospectus issued on 14 March 2011 and announcement issued on 26 October 2012.

During the year, the purchase of carbon anode blocks from Aluminum Technology amounted to approximately RMB318,747,000 which was below the 2014 total annual transaction cap of RMB529,495,000. The sales of slag of carbon anode blocks to Aluminum Technology amounted to approximately RMB28,149,000, which was below the 2014 total annual transaction cap of RMB50,827,000.

The Independent Non-executive Directors have reviewed the above continuing connected transactions of the Group and have confirmed that these transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have reported to the Directors that nothing has come to their attention that during the financial year:

(i) the above continuing connected transactions have not been approved by the board of directors;

(ii) the above continuing connected transactions that involve provision of goods or services by the Group, the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

(iii) the above continuing connected transactions were not entered into in all material respects, in accordance with the relevant agreements governing such transactions; and

(iv) the respective cap amounts set out for the relevant agreements referred to above have been exceeded.

PENSION SCHEME

Details of the pension scheme of the Group are set out in Note 40 to the consolidated financial statements.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2014 and up to the date of this report.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules.

For the year ended 31 December 2014, the Company was in compliance with the mandatory code provisions of the CG Code.

SUFFICIENCY OF PUBLIC FLOATING

Based on the information that is publicly available to the Company and as far as the Directors are aware, the Company has maintained the amount of public float as approved by the Stock Exchange and as permitted under the Rules Governing the Listing of Securities on the Stock Exchange as at the date of issuance of this report.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/her compliance with the deed of non-competition provided to the Company under the Deed of Non-Competition (as defined in the Company's prospectus dated 14 March 2011). The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with the Code of Best Practices for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. An Audit Committee meeting was held on 27 March 2015 to review the consolidated financial statements of the Group for the year ended 31 December 2014. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2014 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu was the Company's international auditors for the year ended 31 December 2014. A resolution for the reappointment of Deloitte Touche Tohmatsu as the international auditors of the Company will be proposed at the 2014 Annual General Meeting.

On Behalf of the Board of Directors
ZHANG Shiping
Chairman
Shandong, the PRC

27 March 2015

CORPORATE GOVERNANCE

China Hongqiao believes that good corporate governance can create values for the shareholders. The Board is committed to strengthening its corporate governance to ensure that the Company conducts its business in an honest, transparent and responsible manner and to promoting the development of the Company and the interest of the shareholders.

The Company has applied the principles as set out in the CG Code contained in Appendix 14 of the Listing Rules.

For the year ended 31 December 2014, the Company was in compliance with the mandatory code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2014 and up to the date of issuance of this annual report.

THE BOARD OF DIRECTORS

As at 31 December 2014, the Board of the Company comprised three executive Directors, two non-executive Directors, three independent non-executive Directors.

The Board members are as follows:

Executive Directors

Mr. ZHANG Shiping *(Chairman)*
Ms. ZHENG Shuliang *(Vice Chairman)*
Mr. ZHANG Bo *(Chief Executive Officer)*

Non-Executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors

Mr. XING Jian
Mr. CHEN Yinghai
Mr. HAN Benwen

Mr. ZHANG Shiping is the husband of Ms. ZHENG Shuliang and the father of Mr. ZHANG Bo, and is the father-in-law of Mr. YANG Congsen.

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business strategic decisions and performance. The Board has established subordinate Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference. All directors have carried out their duties in good faith and in compliance with the standards of applicable laws and regulations, and have acted in the interests of the Company and its shareholders at all times.

Delegation of management function

The Board takes responsibility for all major matters of the Company including: the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflicts of interest), financial information and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services provided by the company secretary of the Company, with a view to ensure that the Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

Appointment and re-election of directors

The procedures and process of appointment, reelection and removal of Directors are laid down in the Company's articles of association. The nomination committee of the Company is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of directors and assessing the independence of independent non-executive Directors.

Each of the Directors has entered into a service contract with the Company for a period of three years. Unless terminated by not less than one month's notice in writing served by either the executive Directors or the Company, the contract will be automatically renewed until terminated in accordance with the terms of the service contract. The appointments are subject to the provisions of retirement and rotation of Directors under the articles of association. At the annual general meeting held by the Company on 16 May 2014, Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Mr. Qi Xingli, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Xing Jian, Mr. Chen Yinghai and Mr. Han Benwen were re-elected as Directors of the Company. With effect from 1 September 2014, Mr. Qi Xingli has resigned as an executive director and the chief financial officer of the Company due to health reasons. Please refer to the announcement of the Company dated 1 September 2014 for details.

In accordance with the Company's articles of association, all Directors of the Company are subject to retirement by rotation at least once every three years, and any new director appointed to fill a causal vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment.

Induction training and development

The Company provides induction training programme for all new Directors which, taking into account their experience and background, is designed to enhance their knowledge and understanding of the Group's culture and operations as well as their relevant role and responsibilities.

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. All Directors are encouraged to attend relevant training courses at the Company's expense. From January 2014 to December 2014, all Directors have been required to provide the Company with their training records, and relevant records have been maintained by the company secretary. All Directors of the Company including Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Chen Yinghai, Mr. Xing Jian, Mr. Han Benwen and the Company Secretary Ms. Zhang Yuexia attended the training courses or continuing study programmes in relation to corporate governance and management to further enhance their knowledge and skills.

Performance evaluation

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure improvement in its functioning. During 2014, the Board had conducted the evaluation of its performance.

Number of meetings and Directors' attendance

Corporate Governance Code provision A.1.1 prescribes that at least 4 regular Board meetings should be held in each year at approximately quarterly intervals with active participation of a majority of directors, either in person or through other electronic means of communication. The Company has adopted the practice of holding Board meetings regularly for at least 4 times a year at approximately quarterly intervals.

As at the year ended 31 December 2014, nine board meetings either in person or through other electronic means of communication were held and the attendance records of individual Directors are set out below:

Name of Directors	Number of Board Meetings Attended/Held	Number of General Meetings Attended/Held
Executive Directors		
Mr. ZHANG Shiping	9/9	1/1
Ms. ZHENG Shuliang	9/9	1/1
Mr. ZHANG Bo	9/9	1/1
Non-Executive Directors		
Mr. YANG Congsen	9/9	1/1
Mr. ZHANG Jinglei	9/9	1/1
Independent Non-Executive Directors		
Mr. XING Jian	9/9	1/1
Mr. CHEN Yinghai	9/9	1/1
Mr. HAN Benwen	9/9	1/1

PRACTICES AND CONDUCT OF MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments, financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management including chief executive officer and chief financial officer attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. The company secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting, and the final version is open for Directors' inspection.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

TERMS OF OFFICE OF DIRECTORS

Since the listing date at 24 March 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

With reference to the guidelines as set out in Rule 3.13 of the Listing Rules, the Company confirms the independence of all the independent non-executive Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Corporate Governance Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

The Chairman of the Board is Mr. Zhang Shiping, who provides leadership for the Board and is responsible for chairing the meetings, managing the operations of the Board and ensuring that all major and appropriate issues are discussed by the Board in a timely and constructive manner. He is also responsible for the strategic management of the Group and for formulating the Group's overall corporate direction and focus. The chief executive officer is Mr. Zhang Bo, who is responsible for the overall management and operation of the Group. To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the chairman co-ordinates with the senior management to provide adequate, complete and reliable information to all directors for consideration and review.

SUBORDINATE COMMITTEES OF THE BOARD

- Audit committee ("Audit Committee")
- Remuneration committee ("Remuneration Committee")
- Nomination committee ("Nomination Committee")

Each committee may decide upon all matters within its terms of reference and authority.

A. AUDIT COMMITTEE

The Audit Committee was established on 16 January 2011. At present, the Audit Committee is comprised of three independent non-executive Directors.

The composition of the Audit Committee

Mr. HAN Benwen *(Chairman of the Audit Committee)*
Mr. XING Jian
Mr. CHEN Yinghai

Roles and functions

The primary duties of the Audit Committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

The Company's annual results for the year ended 31 December 2014 have been reviewed by the Audit Committee.

As at the year ended 31 December 2014, the Audit Committee held two meetings during the year, and the attendance record of individual Committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	2/2
Mr. XING Jian	2/2
Mr. CHEN Yinghai	2/2

B. REMUNERATION COMMITTEE

The Remuneration Committee was established on 16 January 2011. At present, the Remuneration Committee is comprised of an executive director and two independent non-executive Directors.

The composition of the Remuneration Committee

Mr. HAN Benwen *(Chairman of the Remuneration Committee)*
Mr. ZHANG Shiping
Mr. XING Jian

Roles and functions

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

The Remuneration Committee normally meets at least once a year for reviewing the remuneration policy and structure and determining the annual remuneration packages of the executive Directors and the senior management and other related matters.

As at the year ended 31 December 2014, the Remuneration Committee held one meeting during the year to fulfill the duties as required aforesaid and the attendance record of individual Committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	1/1
Mr. ZHANG Shiping	1/1
Mr. XING Jian	1/1

C. NOMINATION COMMITTEE

The Board has established a Nomination Committee. The current members of the Nomination Committee are Mr. Zhang Shiping, Mr. Xing Jian and Mr. Han Benwen. The Nomination Committee is chaired by Mr. Xing Jian. The primary function of the Nomination Committee is to make recommendations to our board to fill vacancies on our board.

The Nomination Committee was established on 16 January 2011. As at the year ended 31 December 2014, the Nomination Committee held one meeting during the year, and the attendance record of individual Committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. XING Jian *(Chairman of the Nomination Committee)*	1/1
Mr. ZHANG Shiping	1/1
Mr. HAN Benwen	1/1

The Nomination Committee reviews the structure, size and diversity of the composition of the Board regularly to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments and independence of the Independent Non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2014.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Board is responsible for presenting a clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The senior management has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company put to the Board for approval.

EXTERNAL AUDITORS

The external auditors are responsible for presenting independent opinions on the financial statements of the Company according to the results of their auditing work, and reporting to the Company on the same.

During the Year, the remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2014 amounted to RMB4,900,000.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors is responsible for the effectiveness of the internal control system. Relevant procedures have been designed for safeguarding assets against unauthorised use or disposal, controlling excessive capital expenditure, maintaining proper accounting records, and the reliability of financial information used in the operations or for publication. Qualified management personnel of the Company will maintain and monitor the internal control system on a going concern basis.

The Board of Directors has reviewed the internal control system of the Group, which covers financial, operational, compliance procedural and risk management functions.

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary, Ms. Zhang Yuexia. The company secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with the shareholders and the management. As at 31 December 2014, the company secretary undertook over 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

The Company is liable for securing shareholders' interests. The Company maintains contact with its shareholders through annual general meetings or other general meetings, and encourages shareholders to attend those meetings.

Notice of general meeting is sent by mail to the registered shareholders of the Company. Agenda, proposed resolutions and voting form are set out in the notice of general meeting.

A proxy form for use at a general meeting is enclosed with the notice of general meeting. Shareholders who do not intend or are unable to be present at the meeting should fill out the form and return the same to the share registrar and transfer office of the Company, so as to appoint a representative, another shareholder or the chairman of the meeting as their proxy.

Shareholders or investors can contact the Company in the following ways to make enquiry or to provide suggestions:

Contact Person:	Wong Yuting
Tel:	(852) 2815 1080
Postal Address:	Suite 5108 The Center 99th Queen's Road Central Hong Kong

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company attaches great importance to the communication with shareholders, investors and each of the stakeholders. Since the Company was listed in March 2011, the management team of the Company has been maintaining close contact with the capital market proactively and is committed to establishing an effective and diverse communication platform. The Company has a website which contains detailed corporate information, including annual and interim reports, announcements and circulars, promotional materials, the latest information and business introduction etc. Meanwhile, in the manner of overseas roadshows, reverse roadshows for investor and media, talks and conference calls with institutional investors and analysts, participation in the enterprise investment forum, close communication with investors is made, and the latest corporate data and development plans are announced.

In order to provide timely, transparent and fair disclosure to shareholders and investors, the Company has complied with the Listing Rules and published all its price-sensitive information, announcements, interim and annual results in a timely manner. The annual reports and accounts and interim reports contain the details of the Company's activities, and such reports and accounts will be delivered to shareholders and investors. The annual and interim reports of the Company are available on the website of the Stock Exchange and the Company's website.

Deloitte.
德勤

TO THE MEMBERS OF CHINA HONGQIAO GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 106, which comprise the consolidated statement of financial position of the Group as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	6	**36,085,800**	29,404,462
Cost of sales		**(26,789,332)**	(21,261,660)
Gross profit		**9,296,468**	8,142,802
Other income and gain and loss	8	**631,490**	988,158
Distribution and selling expenses		**(94,520)**	(60,128)
Administrative expenses		**(610,884)**	(440,171)
Finance costs	9	**(1,797,847)**	(1,359,200)
Other expenses		**(79,940)**	(55,662)
Changes in fair value of derivative	31	**(17,034)**	163,596
Profit before taxation	10	**7,327,733**	7,379,395
Income tax expense	13	**(2,026,366)**	(1,792,946)
Profit for the year		**5,301,367**	5,586,449
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**40,681**	(22,689)
Total comprehensive income for the year		**5,342,048**	5,563,760
Profit (loss) for the year attributable to:			
Owners of the Company		**5,313,632**	5,592,675
Non-controlling interests		**(12,265)**	(6,226)
		5,301,367	5,586,449
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**5,338,041**	5,579,062
Non-controlling interests		**4,007**	(15,302)
		5,342,048	5,563,760
Earnings per share	14		
Basic (RMB)		**0.89**	0.95
Diluted (RMB)		**0.88**	0.91

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	16	**54,852,855**	39,996,661
Prepaid lease payments – non-current portion	17	**1,459,378**	1,138,979
Deferred tax assets	18	**96,490**	134,164
Deposits paid for acquisition of property, plant and equipment		**2,139,174**	2,040,102
Goodwill	19	**80,418**	–
		58,628,315	43,309,906
Current assets			
Prepaid lease payments – current portion	17	**31,255**	25,160
Inventories	20	**11,165,403**	10,136,223
Trade receivables	21	**335,664**	160,935
Bills receivable	22	**2,466,183**	2,048,498
Prepayments and other receivables	23	**2,222,888**	1,465,168
Restricted bank deposits	24	**829,789**	1,670,576
Bank balances and cash	24	**7,676,335**	6,362,070
		24,727,517	21,868,630
Current liabilities			
Trade payables	25	**2,427,058**	1,995,649
Other payables	26	**7,960,575**	5,344,024
Dividends payable		**1**	–
Income tax payable		**294,954**	353,104
Bank borrowings – due within one year	27	**7,663,730**	9,565,774
Other borrowings – due within one year	27	**160,000**	95,000
Short-term debentures and notes	28	**7,000,000**	4,000,000
Medium-term debentures and bonds – due within one year	29	**1,500,000**	–
Held-for-trading financial liabilities		**–**	5,278
Convertible bonds – liability component	31	**797,443**	–
Convertible bonds – derivative component	31	**84,588**	–
		27,888,349	21,358,829
Net current (liabilities) assets		**(3,160,832)**	509,801
Total assets less current liabilities		**55,467,483**	43,819,707

Consolidated Statement of Financial Position (Continued)

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Capital and reserves			
Share capital	32	**403,152**	386,206
Share premium and reserves		**31,686,472**	26,288,167
Equity attributable to owners of the Company		**32,089,624**	26,674,373
Non-controlling interests		**344,390**	208,172
Total equity		**32,434,014**	26,882,545
Non-current Liabilities			
Bank borrowings – due after one year	27	**11,820,722**	9,655,059
Other borrowings – due after one year	27	**75,000**	235,000
Medium-term debentures and bonds – due after one year	29	**6,742,686**	6,189,548
Deferred tax liabilities	18	**148,460**	40,000
Convertible bonds – liability component	31	**–**	750,001
Convertible bonds – derivative component	31	**–**	67,554
Guaranteed notes	30	**4,246,601**	–
		23,033,469	16,937,162
		55,467,483	43,819,707

The consolidated financial statements on pages 42 to 106 approved and authorised for issue by the Board of Directors on 27 March 2015 and are signed on its behalf by:

Zhang Shiping
Director

Zhang Bo
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000 (note a)	**Translation reserve** RMB'000	**Statutory surplus reserve** RMB'000 (note b)	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total Equity** RMB'000
At 1 January 2013	386,206	4,832,946	793,349	–	2,558,318	13,742,436	22,313,255	24,642	22,337,897
Exchange differences arising on translation of foreign operations	–	–	–	(13,613)	–	–	(13,613)	(9,076)	(22,689)
Profit (loss) for the year	–	–	–	–	–	5,592,675	5,592,675	(6,226)	5,586,449
Total comprehensive income for the year	–	–	–	(13,613)	–	5,592,675	5,579,062	(15,302)	5,563,760
Dividend recognised as distribution (Note 15)	–	–	–	–	–	(1,217,944)	(1,217,944)	–	(1,217,944)
Transfer to reserves	–	–	–	–	545,908	(545,908)	–	–	–
Contribution from non-controlling shareholder	–	–	–	–	–	–	–	198,832	198,832
At 31 December 2013	386,206	4,832,946	793,349	(13,613)	3,104,226	17,571,259	26,674,373	208,172	26,882,545
Exchange differences arising on translation of foreign operations	–	–	–	24,409	–	–	24,409	16,272	40,681
Profit (loss) for the year	–	–	–	–	–	5,313,632	5,313,632	(12,265)	5,301,367
Total comprehensive income for the year	–	–	–	24,409	–	5,313,632	5,338,041	4,007	5,342,048
Issue of new shares	16,946	1,336,490	–	–	–	–	1,353,436	–	1,353,436
Transaction costs on issue of new shares	–	(14,997)	–	–	–	–	(14,997)	–	(14,997)
Dividend recognised as distribution (Note 15)	–	–	–	–	–	(1,261,229)	(1,261,229)	–	(1,261,229)
Transfer to reserves	–	–	–	–	696,945	(696,945)	–	–	–
Contribution from non-controlling shareholder	–	–	–	–	–	–	–	132,211	132,211
At 31 December 2014	403,152	6,154,439	793,349	10,796	3,801,171	20,926,717	32,089,624	344,390	32,434,014

Notes:

(a) Capital reserve represents (i) the effect of a group reorganisation completed in March 2010 and (ii) deemed capital contribution from its equity holders.

(b) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC (the "PRC GAAP") to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**7,327,733**	7,379,395
Adjustments for:		
Interest income	**(66,481)**	(72,181)
Finance costs	**1,797,847**	1,359,200
Gain on disposal of corporate wealth management products issued by bank	**–**	(63,397)
Depreciation of property, plant and equipment	**3,112,911**	2,063,192
Loss (gain) on disposal of property, plant and equipment	**7,967**	(2,651)
(Gain) loss from changes in fair value of held-for-trading financial liabilities	**(5,278)**	4,194
Loss (gain) on fair value changes of derivative	**17,034**	(163,596)
Release of prepaid lease payments	**25,581**	22,625
Operating cash flows before movements in working capital	**12,217,314**	10,526,781
Increase in inventories	**(120,494)**	(7,025,496)
Increase in receivables, deposits and prepayments	**(749,161)**	(1,996,703)
Increase in payables, deposits received and accrued charges	**290,696**	542,863
Cash generated from operations	**11,638,355**	2,047,445
Income tax paid	**(2,116,019)**	(1,795,169)
Net cash generated from operating activities	**9,522,336**	252,276
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(9,257,121)**	(13,997,262)
Proceeds on disposal of property, plant and equipment	**2,157**	15,043
Addition to prepaid lease payments	**(110,922)**	(119,966)
Acquisition of a subsidiary (Note 35)	**(1,857,656)**	–
Interest received	**66,481**	72,181
Purchases of available-for-sale investments	**–**	(1,700,000)
Proceeds on disposal of available-for-sale investments	**–**	1,763,397
Placement of restricted bank deposits	**(1,268,274)**	(2,145,361)
Withdrawal of restricted bank deposits	**2,109,061**	1,346,873
Net cash used in investing activities	**(10,316,274)**	(14,765,095)

	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	1,353,436	–
Payment of transaction costs on issue of ordinary shares	(14,997)	–
Dividends paid to the owner of the company	(1,261,228)	(1,217,944)
Proceeds from issue of medium-term debentures and bonds raised	2,300,000	4,500,000
Payment of transaction costs on issue of medium-term debentures and bonds	(37,540)	(36,630)
Proceeds from issue of short-term debentures and notes raised	7,000,000	4,000,000
Repayments of short-term debentures and notes	(4,000,000)	–
Payment of transaction costs on issue of short-term debentures and notes	(36,500)	(20,000)
Proceeds from issue of guaranteed notes	4,306,870	–
Payment of transaction costs on issue of guaranteed notes	(70,756)	–
New bank borrowings raised	12,434,450	19,345,104
Repayment of bank borrowings	(12,170,829)	(14,227,163)
New other borrowings raised	–	390,000
Repayment to other borrowings	(95,000)	(60,000)
Interest paid	(1,772,421)	(1,151,524)
Contribution from non-controlling shareholders	132,211	198,832
Repayments of amount due to former shareholder of a newly acquired subsidiary (Note 35)	(5,959,524)	–
Net cash generated from financing activities	2,108,172	11,720,675
Net increase (decrease) in cash and cash equivalents	1,314,234	(2,792,144)
Cash and cash equivalents at beginning of the year	6,362,070	9,174,943
Effect of foreign exchange rate changes	31	(20,729)
Cash and cash equivalents at end of the year, represented by bank balances and cash	7,676,335	6,362,070

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 24 March 2011. Its parent and ultimate holding company is China Hongqiao Holdings Limited (Hongqiao Holdings), a company incorporated in the British Virgin Islands ("BVI"). The registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

The principal activities of its subsidiaries are set out in Note 41.

The consolidated financial statements are presented in Renminbi ("RMB") which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the Company and its subsidiaries (collectively referred to as the "Group") in light of its net current liabilities of approximately RMB3,160,832,000 as at 31 December 2014. Having considered the fact that the Group did not encounter difficulty in renewal the short term bank borrowings of the Group upon maturity, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 December 2014 have been prepared on a going concern basis.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, certain amendments and interpretation ("new or revised IFRSs") issued by the International Accounting Standards Board ("IASB") that are mandatorily effectively for the current year.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the above new and revised IFRSs in the current period has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

NEW AND REVISED IFRSs ISSUED BUT NOT EFFECTIVE

The Group has not early applied the following new and revised standards, amendments and interpretation ("new and revised IFRSs") that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 July 2014
5 Effective for annual periods beginning on or after 1 January 2016
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

The directors of the Company anticipate that the application of the new and revised IFRSs, other than those set out below, will have no material impact on the consolidated financial statement.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

NEW AND REVISED IFRSs ISSUED BUT NOT EFFECTIVE (Continued)

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

NEW AND REVISED IFRSs ISSUED BUT NOT EFFECTIVE (Continued)

IFRS 9 Financial Instruments (Continued)

The directors of the Company is of the view that the expected credit loss model may result in early and additional provision of credit losses which are not yet occurred. However, it is not practicable to provide a reasonable estimate of the effect from using an expected credit loss model in respect of its financial assets until a detailed review has been completed.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Revenue from steam supply is recognised when steam is provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss for the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefits scheme under the state-managed retirement benefit schemes in PRC are charged as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from ‘profit before taxation’ as reported in the consolidated statement of profit or loss and comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, directs labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of raw materials other than coal and alumina is calculated using the first-in, first-out method while cost of coal, alumina are calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and estimated costs necessary to make the sale.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivable, other receivables, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on loans and receivables below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments, of which interest income is included in other income.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the loans and receivables, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment for loans and receivables could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of loans and receivables (Continued)

For loans and receivables carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the loans and receivable's original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For loans and receivables measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities including bank borrowings, other borrowings, trade payables, short-term debentures and notes, medium-term debentures and bonds, convertible bonds-liability component, guaranteed notes and other payables are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds

Convertible bonds issued by the Group that contain both liability and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of fixed amount of cash or another financial instrument for a fixed number of the Company's own equity instruments and redemption options) are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument. Multiple embedded derivatives are generally treated as a single compound derivative. At the date of issue, both the liability and the compound derivative components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The compound derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and compound derivative component in proportion to their relative fair values. Transaction costs relating to the compound derivative component is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Nevertheless, the resulting accounting estimates may not equal the related actual results. In addition to those set out in note 2, 19 and 31, other estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable value of the inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on selling price, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2014, the carrying amount of inventories are approximately RMB11,165,403,000 (2013: RMB10,136,223,000) as disclosed in Note 20.

Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment, as disclosed in Note 16. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. An impairment loss is recognised for the amount by which the recoverable amount of property, plant and equipment being lower than its carrying amount. At the end of each reporting period, no property, plant and equipment was impaired based on the impairment assessment performed by management. It is possible that actual outcomes may be different from assumptions, having a material impact on the carrying amount of property, plant and equipment in the period when such estimate is revised.

At 31 December 2014, the directors of the Company are satisfied that there is no indication that property, plant and equipment has suffered an impairment loss. As at 31 December 2014, the carrying amount of property, plant and equipment are approximately RMB54,852,855,000 (2013: RMB39,996,661,000) as disclosed in Note 16.

6. REVENUE

The Group is principally engaged in the manufacture and sales of aluminum products.

The Group's revenue represents the amount received and receivable for sale of aluminum products and steam supply.

An analysis of the Group's revenue is as follows:

	2014 **RMB'000**	2013 RMB'000
Revenue from sales of goods		
Aluminum products		
– molten aluminum alloy	**31,009,199**	23,527,351
– aluminum alloy ingots	**2,759,627**	4,951,186
– aluminum fabrication	**2,173,397**	727,512
– aluminum busbars	**8,054**	21,572
Steam supply income	**135,523**	176,841
	36,085,800	29,404,462

Main external revenues of the Group are contributable to customers established in the PRC, the place of domicile of the Group's operating entities.

Revenue from customers contributing over 10% of the total revenues of the Group are as follows:

	2014 **RMB'000**	2013 RMB'000
Customer A	**11,339,747**	11,502,777
Customer B	**5,361,775**	3,428,511

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, the Group's chief operating decision maker, in order to allocate resources to segments and to assess their performance. The information reported to executive directors of the Company for the purpose of resource allocation and assessment of performance, includes revenue analysis by products and revenue from steam supply and does not contain profit information by product line or profit from steam supply. The executive directors reviewed the gross profit of the Group as a whole reported under relevant accounting regulations of the PRC which has no significant differences as compared with gross profit reported under IFRSs. It was determined that the Group has only one single operating segment, being the manufacture and sales of aluminum products. As a result, no segment information is presented.

No segment assets, liabilities, other segment related information were presented as no such discrete financial information are provided to the chief operating decision maker.

Geographical information

The Group operates principally in the PRC (including Hong Kong), and overseas countries (including BVI, Indonesia and Cayman). The analysis of the geographical location of the Group's non-current assets other than defferred tax assets is as follows:

	Non-current assets (Note)	
	2014	2013
	RMB'000	RMB'000
PRC	**57,003,629**	43,029,434
Overseas countries	**1,528,196**	146,308
	58,531,825	43,175,742

Note: Non-current assets excluded deferred tax assets.

8. OTHER INCOME AND GAIN AND LOSS

	2014 RMB'000	2013 RMB'000
Interest income	**66,481**	72,181
Revenue from sales of raw materials	**51,597**	47,813
Revenue from sales of scraps	**266,170**	146,960
Revenue from sales of slag of carbon anode blocks	**317,525**	296,833
Foreign exchange (losses) gains, net	**(107,530)**	311,078
(Loss) gain on disposal of property, plant and equipment	**(7,967)**	2,651
Investment loss from held-for-trading investment	**(2,431)**	–
Gain (loss) from changes in fair value of held-for-trading financial liabilities	**5,278**	(4,194)
Gain on disposal of corporate wealth management products issued by bank	**–**	63,397
Others	**42,367**	51,439
	631,490	988,158

9. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest expenses on bank borrowings – wholly repayable within five years	**1,004,459**	1,040,087
Interest expenses on convertible bonds (Note 31)	**107,395**	81,083
Interest expenses on other borrowings – wholly repayable within five years	**18,828**	17,577
Interest expenses on short-term debentures and notes	**333,339**	129,562
Interest expenses on medium-term debentures and bonds	**510,290**	315,839
Interest expenses on guaranteed notes	**128,014**	–
	2,102,325	1,584,148
Less: amounts capitalised under construction in progress	**(304,478)**	(224,948)
	1,797,847	1,359,200

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 7.44% (2013: 5.17%) per annum to expenditure on qualifying assets.

10. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2014 RMB'000	2013 RMB'000
Staff cost:		
Directors' and chief executive's emoluments (Note 11)	5,177	5,410
Other staff costs:		
– Wages and salaries	2,004,704	1,511,582
– Retirement benefit schemes contributions	85,971	48,700
Total staff costs	2,095,852	1,565,692
Auditors' remuneration	4,900	4,400
Depreciation of property, plant and equipment	3,112,911	2,063,192
Cost of inventories recognised as an expense	26,566,000	21,205,542
Release of prepaid lease payments	25,581	22,625

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of emoluments paid to the directors of the Company are as follows:

	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 December 2014				
Executive directors				
Zhang Shiping ("Mr. Zhang")	1,500	90	–	1,590
Zheng Shuliang	500	65	–	565
Zhang Bo	800	80	7	887
Qi Xingli	467	78	7	552
Sub-total	3,267	313	14	3,594
Non-executive directors				
Yang Congsen	600	76	7	683
Zhang Jinglei	300	–	–	300
Sub-total	900	76	7	983
Independent non-executive directors				
Xing Jian	200	–	–	200
Chen Yinghai	200	–	–	200
Han Benwen	200	–	–	200
Sub-total	600	–	–	600
Total	4,767	389	21	5,177

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 December 2013				
Executive directors				
Mr. Zhang	1,500	93	–	1,593
Zheng Shuliang	500	62	–	562
Zhang Bo	800	82	7	889
Qi Xingli	700	78	6	784
Sub-total	3,500	315	13	3,828
Non-executive directors				
Yang Congsen	600	76	6	682
Zhang Jinglei	300	–	–	300
Sub-total	900	76	6	982
Independent non-executive directors				
Xing Jian	200	–	–	200
Chen Yinghai	200	–	–	200
Han Benwen	200	–	–	200
Sub-total	600	–	–	600
Total	5,000	391	19	5,410

Zhang Bo is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

For the year ended 31 December 2014, none of the directors waived any emoluments (2013: Nil).

12. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group were all directors of the Company during both years, details of their emoluments are set out above.

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2014 (2013: Nil).

13. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
The charge comprises:		
Current tax		
PRC enterprise income tax	**1,922,667**	1,796,893
Hong Kong Profits Tax	**15,530**	106,485
Under provision in prior year		
PRC enterprise income tax	**19,553**	–
Hong Kong Profits Tax	**2,900**	–
Deferred tax charge (credit) (Note 18)		
Current year	**65,716**	(110,432)
Attributable to a change in tax rate	**–**	–
	2,026,366	1,792,946

Under the Law of PRC on Enterprise Income Tax ("the EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

In addition, the EIT Law provides that qualified dividend income between two "PRC-resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law. An amount of RMB68,042,000 (2013: RMB40,000,000) is recognised in respect of the PRC subsidiaries' undistributed profits generated in the current year.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year.

The Company and its subsidiaries incorporated in BVI and Indonesia had no assessable profits since their incorporation.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**7,327,733**	7,379,395
Tax at the PRC enterprise income tax rate of 25% (2013: 25%)	**1,831,933**	1,844,849
Tax effect of expenses not deductible	**133,769**	239
Tax effect of income not taxable for tax purpose	**(47,856)**	(40,899)
Tax effect of tax losses not recognised	**16,658**	4,929
Utilisation of deductible temporary difference previously not recognised	**(96)**	(888)
Effect of different tax rates of subsidiaries	**1,463**	(55,284)
Under provision in prior years	**22,453**	–
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**68,042**	40,000
Tax charge for the year	**2,026,366**	1,792,946

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2014 RMB'000	2013 RMB'000
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company	**5,313,632**	5,592,675
Effect of effective interest on the liability component of convertible bonds (Note 31)	**107,395**	81,083
Effect of loss (gain) recognised on the compound derivative component of convertible bonds (Note 31)	**17,034**	(163,596)
Earnings for the purpose of diluted earnings per share	**5,438,061**	5,510,162

Weighted average number of shares

	2014 '000 shares	2013 '000 shares
Number of ordinary shares for the purpose of basic earnings per share	**5,974,189**	5,885,000
Effect of conversion of convertible bonds	**189,987**	178,826
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,164,176**	6,063,826

15. DIVIDENDS

Dividends declared for distribution during the year:

	2014 RMB'000	2013 RMB'000
2013 final dividends – HK27 cents per share	**1,261,229**	–
2012 final dividends – HK26 cents per share	**–**	1,217,944
	1,261,229	1,217,944

Subsequent to the end of the reporting period a final dividend of HK$1,725,046,000 (equivalent to approximately RMB1,360,837,000) at HK28 cents per share in respect of the year ended 31 December 2014, based on 6,160,880,000 shares as at 31 December 2014, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

During the year, the final dividend of HK$1,588,950,000 (equivalent to approximately RMB1,261,229,000), at HK27 cents per share in respect of the year ended 31 December 2013, based on 5,885,000,000 shares as at 31 December 2013 (2012: HK$1,530,100,000 (equivalent to approximately RMB1,217,944,000), at HK26 cents per share in respect of the year ended 31 December 2012) was declared to the owners of the Company.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2013	8,754,199	15,678,695	33,102	6,078	5,899,923	30,371,997
Additions	23,293	559,907	4,804	4,409	14,768,533	15,360,946
Transfers	3,367,319	8,220,073	–	–	(11,587,392)	–
Disposals	–	(247,836)	–	–	–	(247,836)
At 31 December 2013	12,144,811	24,210,839	37,906	10,487	9,081,064	45,485,107
Additions	24,127	825,394	3,940	4,954	10,143,558	11,001,973
Acquired on acquisition of subsidiaries	1,861,100	4,343,585	2,850	1,785	767,936	6,977,256
Transfers	3,226,014	6,520,571	2,326	23	(9,748,934)	–
Disposals	–	(150,104)	–	–	–	(150,104)
At 31 December 2014	**17,256,052**	**35,750,285**	**47,022**	**17,249**	**10,243,624**	**63,314,232**
DEPRECIATION						
At 1 January 2013	862,946	2,785,933	9,490	2,329	–	3,660,698
Provided for the year	405,111	1,653,638	3,244	1,199	–	2,063,192
Disposals	–	(235,444)	–	–	–	(235,444)
At 31 December 2013	1,268,057	4,204,127	12,734	3,528	–	5,488,446
Provided for the year	660,449	2,446,545	3,880	2,037	–	3,112,911
Disposals	–	(139,980)	–	–	–	(139,980)
At 31 December 2014	**1,928,506**	**6,510,692**	**16,614**	**5,565**	**–**	**8,461,377**
CARRYING AMOUNT						
At 31 December 2014	**15,327,546**	**29,239,593**	**30,408**	**11,684**	**10,243,624**	**54,852,855**
At 31 December 2013	10,876,754	20,006,712	25,172	6,959	9,081,064	39,996,661

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis, taking into account their residual values, at the following rates per annum:

Buildings	3.17%-9.50%
Plant and machinery	6.79%-19%
Motor vehicles	6.79%-19%
Furniture, fixtures and equipment	6.79%-19.20%

Properties with carrying amount of RMB5,653,769,000 (2013: RMB3,472,317,000) located in the PRC which the Group is in the process of obtaining the property certificates.

The Group has pledged certain property, plant and equipment as disclosed in Note 36.

17. PREPAID LEASE PAYMENTS

Movements in the prepaid lease prepayments, which represent land use rights in the PRC, during the year are analysed as follows:

	2014 RMB'000	2013 RMB'000
At 1 January	**1,164,139**	1,066,798
Additions	**110,922**	119,966
Acquired on acquisition of a subsidiary	**241,153**	–
Released	**(25,581)**	(22,625)
At 31 December	**1,490,633**	1,164,139
Prepaid lease payments related to land use rights analysed for reporting purposes as:		
Non-current assets	**1,459,378**	1,138,979
Current assets	**31,255**	25,160

The amount represents the prepayment of rentals for land use rights in the PRC for a period of 20 to 50 years. The Group has pledged land use right as disclosed in Note 36.

18. DEFERRED TAX ASSETS/LIABILITIES

The deferred tax assets (liabilities) recognised by the Group and the movements thereon during the year are as follows:

	Fair value changes of held-for-trading financial liabilities RMB'000	Excess of accounting depreciation over tax depreciation RMB'000	Undistributed profits of subsidiary RMB'000	Unrealised profit on intra-group sales RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employees' benefit RMB'000	Total RMB'000
At 1 January 2013	271	26,048	(73,763)	31,176	–	–	(16,268)
Credit to profit or loss	674	4,641	33,763	71,354	–	–	110,432
At 31 December 2013	945	30,689	(40,000)	102,530	–	–	94,164
(Charge) Credit to profit or loss	(945)	(569)	(28,042)	(36,220)	–	60	(65,716)
Acquisition of a subsidiary (note 35)	–	–	–	–	(80,418)	–	(80,418)
At 31 December 2014	**–**	**30,120**	**(68,042)**	**66,310**	**(80,418)**	**60**	**(51,970)**

18. DEFERRED TAX ASSETS/LIABILITIES (Continued)

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014 RMB'000	2013 RMB'000
Deferred tax assets	**96,490**	134,164
Deferred tax liabilities	**(148,460)**	(40,000)
	(51,970)	94,164

At 31 December 2014, the Group had unused tax losses of approximately RMB23,484,000 (2013: RMB18,202,000) available to offset against future profits of respective subsidiaries.

	2014 RMB'000	2013 RMB'000
The other tax losses unrecognised for deferred tax assets that will expire in		
2019	**5,665**	–
2018	**17,819**	18,202

No deferred tax asset is recognised in relation to such tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared to foreign investors in respect of profit earned by the PRC subsidiaries from 1 January 2008 onward. The management of the Group has reassessed the dividend policy of its PRC subsidiaries based on the Group's current business plan and financial position. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiary will be distributed to its foreign investor and as such, deferred tax liability in this respect was recognised accordingly to the extent that such earnings are estimated by the management of the Group to be distributed in the foreseeable future.

The aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB21,042,340,000 (2013: RMB17,491,505,000), because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19. GOODWILL

	2014 RMB'000	2013 RMB'000
Cost		
At beginning of the year	**–**	–
Arising on:		
Acquisition of a subsidiary (Note 35)	**80,418**	–
At end of the year	**80,418**	–
Impairment		
At beginning and end of the year	**–**	–
Carrying amount		
At end of the year	**80,418**	–

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, goodwill has been allocated to the following cash generating units (CGUs). At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of:

	2014 RMB'000
Manufacture and sales of aluminum products business located in Binzhou, the PRC	**80,418**

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling price and direct costs during the period. Management estimates discount rates using pre-tax rates of 15.75% that reflect current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For the purpose of impairment testing, the Group prepares cash flow projection covering a 5-year period. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. The cash flows beyond the 5-year period are extrapolated using an estimated growth pattern at no growth rate. The financial budgets estimated are consistent with the track record of the Group's projects.

20. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	**7,637,518**	7,445,999
Work in process	**3,390,770**	2,596,107
Finished goods	**137,115**	94,117
	11,165,403	10,136,223

21. TRADE RECEIVABLES

The Group has a policy of allowing average credit period of 90 days to its trade customers with trading history, or otherwise sales on cash terms are required.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the date of delivery of goods which were the respective dates on which revenue was recognised.

	2014 RMB'000	2013 RMB'000
0-90 days	**335,664**	160,935
	335,664	160,935

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limits.

Impairment for trade receivables over 90 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment and expected recoverable amounts. No impairment has been recognised during both years.

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period. Based on the historical experience of the Group, the directors of the Company believe that no further allowance is required.

Trade receivables disclosed above are neither past due nor impaired at the end of the reporting period and with good credit history.

22. BILLS RECEIVABLE

	2014 **RMB'000**	2013 RMB'000
Bills receivable	**2,466,183**	2,048,498

The aged analysis of bills receivable presented based on the issue date at the end of the reporting period is as follows:

	2014 **RMB'000**	2013 RMB'000
0-90 days	**1,165,491**	1,036,277
91-180 days	**1,300,692**	1,012,221
	2,466,183	2,048,498

The Group has pledged the bills receivables as disclosed in Note 36.

TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2014 that were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables and other payables in the consolidated statement of financial position. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

	2014 **RMB'000**	2013 RMB'000
Bills receivable endorsed to supplier with full recourse:		
Carrying amount of transferred assets	**1,802,366**	1,471,405
Carrying amount of trade payables	**(750,612)**	(28,354)
Carrying amount of other payables	**(1,051,754)**	(1,443,051)
Net position as at 31 December	**–**	–

23. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2014 RMB'000	2013 RMB'000
Prepayments to suppliers	**423,397**	127,033
Value added tax receivables	**1,648,029**	1,317,653
Other receivables	**151,462**	20,482
	2,222,888	1,465,168

24. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

Restricted bank deposits represent the Group's bank deposits pledged to banks for issuance of letter of credit.

The restricted bank deposits carry market interest rate of 0.35% to 3.85% per annum as at 31 December 2014 (2013: 0.35% to 3.3%).

The bank balances carry market interest rate of 0.10% to 1.25% per annum as at 31 December 2014 (2013: 0.10% to 2.15%).

Bank balances and cash at 31 December 2014 were mainly denominated in RMB which is not a freely convertible currency in the international market.

25. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for purchases of goods. The average credit period is 180 days.

The aged analysis of trade payables presented based on the invoice date at the reporting date is as follows:

	2014 RMB'000	2013 RMB'000
0-180 days	**2,413,892**	1,956,151
181-365 days	**6,160**	33,049
1-2 years	**5,248**	5,721
Over 2 years	**1,758**	728
	2,427,058	1,995,649

26. OTHER PAYABLES

An analysis of other payables of the Group is as follows:

	2014 RMB'000	2013 RMB'000
Payables on property, plant and equipment	**4,211,755**	3,527,147
Retention payables	**1,713,132**	1,244,331
Other payables and accruals	**840,258**	217,958
Advance from customers	**314,366**	270,795
Accrued payroll and welfare	**175,161**	52,283
Other tax payables	**705,903**	31,510
	7,960,575	5,344,024

27. BANK AND OTHER BORROWINGS

(a) Bank borrowings

	2014 RMB'000	2013 RMB'000
Secured bank borrowings	**594,969**	831,058
Unsecured bank borrowings (Note i)	**15,423,414**	14,836,147
Secured syndicated loans	**–**	3,553,628
Unsecured syndicated loans	**3,466,069**	–
	19,484,452	19,220,833
The total bank borrowings are repayable as follows (Note ii):		
Within one year	**7,663,730**	9,565,774
In the second year	**5,161,418**	4,387,532
In the third year	**5,459,304**	4,367,527
In the fourth year	**–**	900,000
In the fifth year	**1,200,000**	–
	19,484,452	19,220,833
Less: Amount due for settlement within one year and shown under current liabilities	**7,663,730**	9,565,774
Amount due after one year	**11,820,722**	9,655,059
Total bank borrowings		
– at fixed rates	**4,850,138**	5,111,325
– at floating rates	**14,634,314**	14,109,508
	19,484,452	19,220,833
Analysis of bank borrowings by currency:		
– denominated in RMB	**8,608,012**	7,874,500
– denominated in United States Dollar ("US$")	**9,786,942**	10,515,398
– denominated in Hong Kong Dollar ("HK$")	**1,089,498**	830,935
	19,484,452	19,220,833

27. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

Notes:

i. The balance of borrowings which are guaranteed by related party was set out in note 39(d).

ii. The amounts due are based on scheduled repayment dates set out in the loan agreements. As at 31 December 2014 and 2013, no bank borrowings have contained a repayment on demand clause.

Fixed interest rate borrowings are charged at market rates ranging from 1.7% to 7.8% (2013: 1.2% to 8.11%) per annum as at 31 December 2014.

Interest on borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China (the "PBOC"), and interest on borrowings denominated in US$ and HK$ at floating rates are calculated based on London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") respectively.

The effective weighted average interest rate for the year ended 31 December 2014 was 5.41% (2013: 4.99%) per annum.

(b) Other borrowings

As of 31 December 2014, the Company's subsidiary, Shandong Weiqiao Alumina & Power Ltd. ("Alumina & Power") pledged certain equipment to secure other borrowings of the Group with carrying amount amounting to RMB235,000,000 (31 December 2013: RMB330,000,000), and during the year ended 31 December 2014, the Group has repaid the other borrowings amounting to RMB95,000,000 (2013: RMB60,000,000). The secured other borrowings was lent by RBS Leasing (China) Co., Ltd, an independent third party, for three years tenor with repayment in 12 installments and interest bearing at 6.27% per annum. Alumina & Power has the right to purchase the pledged equipment after 3 years from RBS Leasing (China) Co., Ltd with nominal consideration of RMB1.

The total other borrowings are repayable as follows:

	2014 **RMB'000**	2013 RMB'000
Within one year	**160,000**	95,000
In the second year	**75,000**	160,000
In the third year	**–**	75,000
	235,000	330,000

28. SHORT-TERM DEBENTURES AND NOTES

	2014 RMB'000	2013 RMB'000
Short-term debentures and notes	**7,000,000**	4,000,000

The details of the unsecured short-term debentures and notes issued during the two years are set out as follows:

	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures A	8 April 2013	1,000,000	4.53%	8 April 2014
Short-term debentures B	27 April 2013	1,000,000	5.00%	27 April 2014
Short-term debentures C	22 July 2013	1,000,000	6.50%	22 July 2014
Short-term debentures D	24 October 2013	1,000,000	6.60%	24 October 2014
Short-term debentures E	11 June 2014	1,000,000	5.98%	11 June 2015
Short-term debentures F	13 June 2014	1,000,000	5.88%	13 June 2015
Short-term debentures G	22 September 2014	1,000,000	5.96%	22 September 2015
Short-term debentures H	12 September 2014	1,000,000	6.20%	12 September 2015
Short-term debentures I	30 October 2014	1,000,000	4.94%	30 October 2015
Short-term debentures J	6 November 2014	1,000,000	4.90%	6 November 2015
Private placement notes	25 April 2014	1,000,000	8.30%	25 April 2015

The short-term debentures and notes were issued to various independent third parties according to the approvals issued by National Association of Financial Market Institutional Investor ("NAFMII").

Interest is repayable annually. Issue costs were charged to profit or loss immediately and included in finance costs.

29. MEDIUM-TERM DEBENTURES AND BONDS

	2014 RMB'000	2013 RMB'000
Medium-term debentures and bonds – due after one year	**6,742,686**	6,189,548
Medium-term debentures and bonds – due within one year	**1,500,000**	–
	8,242,686	6,189,548

29. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

The details of the medium-term debentures and bonds issued are set out as follows:

	Date of issue	Principal amount RMB'000	Nominal interest rate	Effective interest rate	Date of maturity
Medium-term debentures A	7 December 2012	1,500,000	5.80%	6.14%	7 December 2015
Medium-term debentures B	25 January 2013	1,500,000	6.30%	6.67%	25 January 2018
Medium-term debentures C	10 April 2013	1,500,000	5.80%	6.12%	10 April 2018
Medium-term debentures D	9 May 2013	1,500,000	6.00%	6.32%	9 May 2018
Enterprise bonds A	3 March 2014	1,200,000	8.69%	8.90%	3 March 2021
Enterprise bonds B	21 August 2014	1,100,000	7.45%	7.88%	21 August 2021

Debenture A, B, C and D were issued to various independent third parties according to the approvals issued by NAFMII, while Enterprise bond A and B were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange.

According to the terms and conditions of Enterprise bonds A, the interest rate of the enterprise bonds is 8.69% per annum for the five years, up to 3 March 2019. At the end of the fifth year, on 3 March 2019, the Group has a right to adjust upward the interest rate of the enterprise bonds not more than 100 basis points, while the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest.

According to the terms and conditions of Enterprise bonds B, the interest rate of the enterprise bonds is 7.45% per annum for the three years, up to 21 August 2017. At the end of the third year and fifth year, on 21 August 2017 and 2019, the Group has a right to adjust upward the interest rate of the enterprise bonds not more than 100 basis points, while the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest.

Interest is repayable annually. Issue costs are included in the carrying amount of the medium-term debentures and bonds and amortised over the period of the medium-term debentures and bonds using the effective interest method.

The total medium-term debentures and bonds are repayable as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**1,500,000**	–
In the second year	**–**	1,500,000
In the third to fifth year	**6,742,686**	4,689,548
	8,242,686	6,189,548

30. GUARANTEED NOTES

	2014 RMB'000	2013 RMB'000
Guaranteed Notes	**4,246,601**	–

On 26 June 2014, the Company issued 7.625% guaranteed notes with the aggregate principal amount of US$400,000,000 (equivalent to approximately RMB2,461,120,000 (the "2017 Guaranteed Notes") which are guaranteed by certain oversea subsidiaries of the Group. The 2017 Guaranteed Notes matures on 26 June 2017. The 2017 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2017 Guaranteed Notes, at any time or from time to time prior to the maturity date, the Company may at its option to redeem the notes at a redemption price set forth below.

Period	**Redemption price**
Prior to 26 June 2017	100% of the principal amount, plus the Applicable Premium as of, plus accrued and unpaid interest, if any, to the redemption date (notes i & ii)
Prior to 26 June 2017	107.625% of the principal amount, plus accrued and unpaid interest (note iii)
Note iv	101% of the principal amount, plus accrued and unpaid interest
Note v	100% of the principal amount, plus accrued and unpaid interest

Notes:

(i) Applicable Premium means with respect to a note at any redemption date, the greater of (i) 1.00% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2017 Guaranteed Notes on 26 June 2017, plus all required remaining scheduled interest payments due on the 2017 Guaranteed Notes through 26 June 2017 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 26 June 2017, the Company may at its option redeem 2017 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the Applicable Premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 26 June 2017, the Company may redeem up to 35% of 2017 Guaranteed Notes, at a redemption price of 107.625% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

(iv) Upon the occurrence of a change of control, the Company must make an offer to repurchase all 2017 Guaranteed Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

(v) In the event the Group are required to pay additional amounts as a result of certain changes in tax law, 2017 Guaranteed Notes may be redeemed, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest.

30. GUARANTEED NOTES (Continued)

The carrying amount of the 2017 Guaranteed Notes on date of issuance is stated net of issue expenses totaling US$7,000,000 (equivalent to approximately RMB43,070,000) and the effective interest rate of the 2017 Guaranteed Notes is 8.30% per annum.

The estimated fair value of the early redemption right is insignificant at initial recognition and at the end of the reporting period.

On 27 October 2014, the Company issued 6.875% guaranteed notes with the aggregate principal amount of US$300,000,000 (equivalent to approximately RMB1,845,750,000 (the "2018 Guaranteed Notes") which are guaranteed by certain oversea subsidiaries of the Group. The 2018 Guaranteed Notes matures on 3 May 2018. The 2018 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2018 Guaranteed Notes, at any time or from time to time prior to the maturity date, the Company may at its option to redeem the notes at a redemption price set forth below.

Period	**Redemption price**
Prior to 3 May 2018	100% of the principal amount, plus the Applicable Premium as of, plus accrued and unpaid interest, if any, to the redemption date (notes vi & vii)
Prior to 3 May 2018	106.875% of the principal amount, plus accrued and unpaid interest (note viii)
Note ix	101% of the principal amount, plus accrued and unpaid interest
Note x	100% of the principal amount, plus accrued and unpaid interest

Notes:

(vi) Applicable Premium means with respect to a note at any redemption date, the greater of (i) 1.00% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2018 Guaranteed Notes on 3 May 2018, plus all required remaining scheduled interest payments due on the 2018 Guaranteed Notes through 3 May 2018 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(vii) At any time prior to 3 May 2018, the Company may at its option redeem 2018 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the Applicable Premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(viii) At any time prior to 3 May 2018, the Company may redeem up to 35% of 2018 Guaranteed Notes, at a redemption price of 106.875% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

(ix) Upon the occurrence of a change of control, the Company must make an offer to repurchase all 2018 Guaranteed Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

(x) In the event the Group are required to pay additional amounts as a result of certain changes in tax law, 2018 Guaranteed Notes may be redeemed, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest.

30. GUARANTEED NOTES (Continued)

The carrying amount of the 2018 Guaranteed Notes on date of issuance is stated net of issue expenses totaling US$4,500,000 (equivalent to approximately RMB27,686,000) and the effective interest rate of the 2018 Guaranteed Notes is 7.37% per annum.

The estimated fair value of the early redemption right is insignificant at initial recognition and at the end of the reporting period.

31. CONVERTIBLE BONDS

On 10 April 2012, the Company issued a 6.5% Convertible Bond due 2017 in the aggregate principal amount of US$150,000,000 (the “Convertible Bonds”). The Convertible Bonds are listed on Singapore Exchange Securities Trading Limited.

The principal terms of the Convertible Bonds are as follows:

(a) Option conversion

The Convertible Bonds will, at the option of the holder (“Bondholders”), be convertible (unless previously converted, redeemed or purchased and cancelled) on or after 21 May 2012 up to and including 1 April 2017 into fully paid ordinary shares with a par value of US$0.01 each at an initial conversion price (the “Conversion Price”) of HK$7.27 per share and a fixed exchange rate of HK$7.7623 to US$1.00 (the “Prevailing Rate”). The Conversion Price is subject to adjustments in the manner set out in the Convertible Bonds agreement.

As disclosed in Note 15, a final dividend of HK26 cents per share for the year ended 31 December 2012 was approved in the annual general meeting in May 2013. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$6.81 to HK$6.33 effective from 27 May 2013.

As disclosed in Note 15, a final dividend of HK27 cents per share for the year ended 31 December 2013 was approved in the annual general meeting in May 2014. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$6.33 to HK$5.98 effective from 9 June 2014.

31. CONVERTIBLE BONDS (Continued)

(b) Redemption

– ***Redemption at maturity***

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem the Convertible Bonds at the principal amount together with unpaid accrued interest thereon on 10 April 2017.

– ***Redemption at the option of the Company***

On giving not less than 30 nor more than 90 days' notice, the Company may at any time after 10 April 2015 redeem all, but not some only, of the Convertible Bonds for the time being outstanding at the principal amount, together with interest accrued but unpaid to the date fixed for redemption, provided that the closing price of the shares translated into US$ at the prevailing foreign exchange rate applicable to the relevant trading day for 20 out of 30 consecutive trading day prior to the date upon which notice of such redemption is published, was at least 130 percent of the principal amount of the Convertible Bonds divided by the Conversion Ratio.

On giving not less than 30 nor more than 60 days' notice, the Company may redeem all, but not some only, of the Convertible Bonds for the time being outstanding at the principal amount, together with interest accrued to the date fixed for redemption provided that prior to the date of such notice at least 90 per cent in principal amount of the Convertible Bonds originally issued has already been converted, redeemed or purchased and cancelled.

– ***Redemption at the option of the Bondholders***

The Company will at the option of the Bondholder, redeem all or some of the Convertible Bonds on 10 April 2015 at the principal amount together with interest accrued to the date fixed for redemption.

The Convertible Bonds comprised of two components:

(i) Liability component is initially measured at fair value amounted to approximately RMB712,122,000. It is subsequently measured at amortised cost by applying an effective interest rate of 14.70% after considering the effect of the transaction costs.

(ii) Compound derivative component comprise:

- Redemption option of Bondholders;
- Redemption option of the Company;
- Conversion option of the Bondholders.

31. CONVERTIBLE BONDS (Continued)

Transaction costs that relate to the issue of the Convertible Bonds are allocated to the liability and the compound derivative (including conversion option and redemption options) components in proportion to their relative fair values. Transaction costs amounting to approximately RMB6,854,000 relating to the compound derivative component were charged to profit or loss immediately and included in finance costs. Transaction costs amounting to approximately RMB20,911,000 relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the Convertible Bonds using the effective interest method.

The compound derivative component was valued at fair value by the directors with reference to valuation carried out by an independent valuation firm, Grant Sherman Appraisal Limited. The fair value of the compound derivative component is derived by removing the fair value of liability component from the fair value of Convertible Bonds as a whole which is calculated using Binominal Option Pricing Model. The major inputs used in the model as at 31 December 2014 and 2013 were as follows:

	At 31 December 2014	At 31 December 2013
Stock price	**HK$5.23**	HK$5.34
Exercise price	**HK$5.98**	HK$6.33
Risk-free rate	**0.770%**	0.780%
Expected life	**2.28 years**	3.28 years
Volatility	**30.78%**	40.27%

The risk free rates were determined with reference to the US Treasury Rate. The expected life was estimated based on the terms of the Convertible Bonds. The volatilities were determined based on the historical price volatilities of the Company and comparable companies under the same periods of the expected life.

Any changes in the major inputs into the model will result in changes in the fair value of the compound derivative component.

31. CONVERTIBLE BONDS (Continued)

The movement of the liability and compound derivative component of the Convertible Bonds for the period is set out below:

	Liability component RMB'000	Compound derivative component RMB'000	Total RMB'000
As at 1 January 2013	729,411	231,150	960,561
Interest charged during the year (Note 9)	81,083	–	81,083
Interest paid during the year	(60,493)	–	(60,493)
Changes in fair value during the year	–	(163,596)	(163,596)
As at 31 December 2013	**750,001**	**67,554**	**817,555**
Interest charged during the year (Note 9)	**107,395**	**–**	**107,395**
Interest paid during the year	**(59,953)**	**–**	**(59,953)**
Changes in fair value during the year	**–**	**17,034**	**17,034**
As at 31 December 2014	**797,443**	**84,588**	**882,031**

As the Company will at the option of the Bondholder, redeem all or some of the Convertible Bonds on 10 April 2015 at the principal amount together with interest accrued to the date fixed for redemption, Convertible Bonds are measured as current liabilities at 31 December 2014.

No conversion or redemption of the Convertible Bonds has occurred up to 31 December 2014.

32. SHARE CAPITAL

The details of the Company's share capital are as follows:

	Number of shares	Shares capital US$
Authorised		
Ordinary shares of US$0.01 each		
At 31 December 2013 and 2014	10,000,000,000	100,000,000
Issued and fully paid		
Ordinary shares of US$0.01 each		
At 31 December 2013	5,885,000,000	58,850,000
Issued of new shares	275,880,000	2,758,800
At 31 December 2014	6,160,880,000	61,608,800

32. SHARE CAPITAL (Continued)

	2014 RMB'000	2013 RMB'000
Shown on the consolidated statement of financial position	**403,152**	386,206

On 17 September 2014, the Company's ultimate holding company through private placement placed 275,880,000 existing shares to six independent places at a cash consideration of HK$6.19 per share.

On the same date, the Company allotted and issued 275,880,000 new shares to its ultimate holding company at a cash consideration of HK$6.19 per share to provide additional funding for reduction of indebtedness, acquisition of upstream bauxite resources and general working capital. These new shares issued rank pari passu with the then existing share capital in all respects.

The transaction cost of the above capital transaciton amounting to RMB14,997,000 was written off in share premium.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year 31 December 2014.

The capital structure of the Group consists of net debt, which comprising the bank borrowings, other borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds disclosed in Notes 27, 28, 29, 30 and 31, and cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 32, share premium and reserves in the consolidated statement of financial position.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, raise of new capital and share buy-backs as well as the issuance of new debt.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables	**11,459,435**	10,262,561
Financial liabilities		
Liabilities at amortised cost	**49,373,550**	37,527,749
Convertible bonds – derivative component	**84,588**	67,554
Held-for-trading financial liabilities	**–**	5,278
	49,458,138	37,600,581

34. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and other equity prices.

The Group's overall market risk management objectives and policies remain unchanged from prior year.

Foreign currency risk management

Several subsidiaries of the Company have foreign currency purchases, financing arrangements and capital expenditure which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of reporting period are as follows:

	2014 **RMB'000**	2013 RMB'000
Assets		
US$		
Bank balances and cash	**734,293**	608,832
HK$		
Bank balances and cash	**4,976**	7,231
Indonesia Rupiah ("IDR")		
Bank balances and cash	**8,104**	4,174
Other receivable	**6,309**	4,134
	14,413	8,308
Liabilities		
US$		
Bank borrowings	**9,786,943**	10,515,398
Convertible bonds – liability component	**797,443**	750,001
Guaranteed notes	**4,246,601**	–
Trade payables	**150,833**	406,756
Held-for-trading financial liabilities	**–**	5,278
	14,981,820	11,677,433
HK$		
Bank borrowings	**1,089,498**	830,935
IDR		
Other payable	**2,852**	1,018

34. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Foreign currency risk management (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% (2013: 5%) strengthening of RMB against the foreign currencies listed above. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

	2014 **RMB'000**	2013 RMB'000
(Decrease) increase in profit for the year		
if RMB weakens against		
US$	**(557,008)**	(453,368)
HK$	**(45,280)**	(33,712)
IDR	**434**	274
if RMB strengthens against		
US$	**557,008**	453,368
HK$	**45,280**	33,712
IDR	**(434)**	(274)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings, other borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes, and convertible bonds. The Group aims at keeping borrowings at fixed rates.

The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and floating interest rate bank borrowings, and mainly concentrated on the fluctuation of interest rate quoted from the PBOC, LIBOR and HIBOR on the bank borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Interest rate risk management (Continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period was outstanding for the whole year. A 27 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 27 basis points higher/lower and all other variables were held constant:

	2014 **RMB'000**	2013 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(13,310)**	(16,582)
As a result of decrease in interest rate	**13,310**	16,582

This is mainly attributable to the Group's exposure to interest rates on its interest bearing restricted bank deposits and bank balances and variable-rate bank borrowings after adjusting for the estimated effect of capitalization of borrowing costs.

Other price risks

The Group's price risk relates primarily to its convertible bonds – derivative component . The sensitivity analyses below (refer to Note 34 (e(i))) have been determined based on the exposure to equity price risk at the end of the reporting period.

(c) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, bills receivable, other receivables, restricted bank deposits and bank balances. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets stated in the consolidated statements of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no concentration of credit risk in respect of trade receivables.

34. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk (Continued)

The Group has concentration of credit risk in respect of bank's acceptance bills receivable as the Group's bills receivable from the Group's top single bank amounted to RMB326,944,000 (2013: RMB355,241,000), and represented 13% (2013: 17%) of the total bills receivable as at 31 December 2014. In addition, the Group's top five major banks amounted to RMB1,438,740,000 (2013: RMB1,430,640,000) and represented 58% (2013: 70%) of the total bills receivable respectively as at 31 December 2014. The credit risk on bills receivable is limited because most of the Group's bills receivable are bank acceptances bills under various banks of good credit ratings.

The credit risk on bank balances and deposits is limited because such amounts are placed with various banks with good credit ratings. Other than disclosed above, the Group does not have any other significant concentration of credit risk.

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. Other than the cash generated from operating activities, the Group's management is responsible for obtaining funding from other sources, including guaranteed notes, convertible bonds, bank borrowings, other borrowings, short-term debentures and notes and medium-term debentures and bonds. The management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on the interest rate at the end of each reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

34. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6-12 months RMB'000	1-2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2014							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	6.18	1,281,242	1,142,598	1,201,045	1,635,521	5,260,406	4,850,138
Floating-rate bank borrowings	5.13	2,447,103	3,649,872	4,456,658	5,356,845	15,910,478	14,634,314
Other borrowings	7.10	67,278	104,438	77,663	–	249,379	235,000
Short-term debentures and notes	6.27	3,182,899	4,094,121	–	–	7,277,020	7,000,000
Medium-term debentures and bonds	6.42	271,780	1,766,029	454,228	7,407,506	9,899,543	8,242,686
Dividends payable	–	1	–	–	–	1	1
Trade payables	–	2,427,058	–	–	–	2,427,058	2,427,058
Other payables	–	6,940,309	–	–	–	6,940,309	6,940,309
Convertible bonds	6.50	29,830	29,830	59,660	934,032	1,053,352	797,443
Guaranteed notes	7.48	160,088	160,088	320,177	4,554,604	5,194,957	4,246,601
		16,807,588	10,946,976	6,569,431	19,888,508	54,212,503	49,373,550
At 31 December 2013							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	5.46	1,246,567	966,015	1,434,862	1,886,066	5,533,510	5,111,325
Floating-rate bank borrowings	4.37	4,109,537	3,914,771	3,305,653	3,568,740	14,898,701	14,109,508
Other borrowings	7.10	55,916	59,230	171,005	77,663	363,814	330,000
Short-term debentures	5.68	2,089,181	2,021,478	–	–	4,110,659	4,000,000
Medium-term debentures	6.25	187,500	187,500	1,868,579	5,126,969	7,370,548	6,189,548
Trade payables	–	1,995,649	–	–	–	1,995,649	1,995,649
Other payables	–	4,613,725	427,993	–	–	5,041,718	5,041,718
Convertible bonds	6.50	29,722	29,722	59,444	931,047	1,049,935	750,001
		14,327,797	7,606,709	6,839,543	11,590,485	40,364,534	37,527,749
Derivatives financial liabilities – net settlement							
Held-for-trading financial liabilities							
– Interest rate swaps		714	255	(88)	–	881	871
Derivatives financial liabilities – gross settlement							
Held-for-trading financial liabilities							
– Foreign currency forward contracts							
– Inflow		118,190	–	–	–	118,190	117,981
– Outflow		(113,775)	–	–	–	(113,775)	(113,574)
		4,415	–	–	–	4,415	4,407

The amounts included above for floating interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

34. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at At 31 December 2014	At 31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
1) Foreign currency forward contracts classified as held-for-trading financial liabilities	**-**	Liabilities – RMB4,407,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
2) Interest rate swaps classified as held-for-trading financial liabilities	**-**	Liabilities – RMB871,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
3) Convertible bonds – derivative component classified as financial liabilities at FVTPL	**Liabilities – RMB84,588,000**	Liabilities – RMB67,554,000	Level 3	The fair value of the derivative component is derived by deducting the fair value of the liability component from the fair value of Convertible Bonds as a whole which is calculated using Binomial Option Pricing Model.	Discount rate was based on risk free rate and credit spread (Note). Volatilities were determined based on the historical price volatilities of the Company. (Note)

34. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Note: An increase in the volatilities of the Company's share price would result in an increase in the fair value measurement of the convertible bonds-derivative component, and vice versa. A 10% increase in the volatilities holding all other variables constant would increase the carrying amount of the convertible bonds-derivative component by RMB5,439,000. A 10% decrease in the volatilities holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB10,500,000.

An increase in the discount rate would result in an increase in the fair value measurement of the convertible bonds-derivative component, and vice versa. A 10% increase in the discount rate holding all other variables constant would increase the carrying amount of the convertible bonds-derivative component by RMB2,962,000. A 10% decrease in the discount rate holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB2,771,000.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2014		31 December 2013	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Medium-term debentures and bonds – due after one year – listed (note i)	**2,264,932**	**2,463,000**	–	–
Medium-term debentures and bonds – due after one year – unlisted (note iii)	**4,477,754**	**4,785,954**	6,189,548	5,756,383
Medium-term debentures and bonds – due within one year – unlisted (note iii)	**1,500,000**	**1,507,361**	–	–
Guaranteed notes (note ii)	**4,246,601**	**4,190,891**	–	–
Convertible bonds – liability component	**797,443**		750,001	
Convertible bonds – derivative component	**84,588**		67,554	
Convertible bonds (note ii)	**882,031**	**1,036,326**	817,555	975,077

34. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurements of financial instruments (Continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)

Notes:

(i) The fair value of medium-term debentures and bonds-listed is included in Level 1 of the fair value hierarchy. The fair value of the financial liabilities included in Level 1 category above has been determined using the quoted bid prices in an active market.

(ii) The fair value of guaranteed notes and convertible bonds is included in Level 2 of the fair value hierarchy. The fair values of the financial liabilites included in the level 2 category above are derived from quoted prices in an over-the-counter market as adjusted for the effect of market activity level, if any.

(iii) The fair value of medium-term debentures and bonds-unlisted is included in the level 3 of the fair value hierarchy. The fair values of the financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discounted rate that reflects the credit risk of counter parties.

(f) Reconciliation of Level 3 fair value measurements

	Convertible bonds derivative component RMB'000
At 1 January 2013	231,150
Changes in fair value during the year (Note 31)	(163,596)
At 31 December 2013	67,554
Changes in fair value during the year (Note 31)	17,034
At 31 December 2014	**84,588**

Changes in fair value during the period amounting to RMB17,034,000 (2013: RMB163,596,000) relates to derivative component of Convertible Bonds issued by the Group and remained outstanding at the end of the reporting period.

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The Vice Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Vice Chief Financial Officer reports findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the assets and liabilities.

35. ACQUISITON OF A SUBSIDIARY

On 22 December 2014, the Company acquired 100% of the unquoted shares capital of Binzhou Binbei New Aluminum Profiles Co., Ltd ("Binbei Aluminum") for consideration of RMB1,896,279,000. This acquisition has been accounted for using the acquisition method. There was goodwill arising as a result of the acquisition. Binbei Aluminum is principally engaged in the manufacture and sales of aluminum products. Binbei Aluminum was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration transferred:

	RMB'000
Cash consideration paid	1,896,279

The provisional values of assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	6,977,256
Deposits paid for acquisition of property, plant and equipment	386,039
Prepaid lease payments – non-current portion	237,015
Current assets	
Trade receivables	11,235
Bills receivable	135,400
Other receivables	454,339
Cash and cash equivalents	38,623
Prepaid lease payments – current portion	4,138
Inventories	908,686
Current liabilities	
Trade payables	(207,243)
Income tax payables	(97,219)
Other payables, deposits received and accruals	(761,216)
Amounts due to former shareholder	(5,956,277)
Dividend payable to former shareholder	(234,497)
Non-current liabilities	
Deferred tax liabilities	(80,418)
	1,815,861

The initial accounting for acquisition of Binbei Aluminum has only been provisionally determined at the end of the reporting period. At the date of directors' approval of these consolidated financial statements, the necessary market valuations and other calculations for property, plant and equipment, prepaid lease payments, inventories and deferred tax liabilities of Binbei Aluminum were still in the process of finalization. For the purpose of initial recognition, the directors of the Company determined the best estimates for the value of these assets and liabilities based on the book values and the valuation report on the entire equity value of Binbei Aluminum prepared for the purpose of determining the purchase consideration.

35. ACQUISITON OF A SUBSIDIARY (Continued)

In accordance with the best estimation at acquisition date, the receivables acquired in these transactions with a fair value of RMB600,974,000 had gross contractual amounts of RMB600,974,000. The whole amount was expected to be collectible at the acquisition day.

Goodwill arising on acquisition (determined on a provisional basis):

	RMB'000
Consideration transferred	1,896,279
Less: fair value of identifiable net assets acquired (provisional value)	1,815,861
Good will arising on acquisition	80,418

Goodwill arose in the acquisition of Binbei Aluminum because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Binbei Aluminum. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	1,896,279
Less: cash and cash equivalents acquired	(38,623)
	1,857,656

The Group's revenue and profit for the year did not include any significant amount attributable to the business generated by Binbei Aluminum.

Impact of acquisitions on the results of the Group

Had the acquisition been completed on 1 January 2014, total group revenue for the year would have been RMB41,275,000,000, and profit for the year would have been RMB5,987,000,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Binbei Aluminum been acquired at the beginning of the current year, the directors have calculated depreciation of property, plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

36. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	2014 RMB'000	2013 RMB'000
Restricted bank deposits	**829,789**	1,670,576
Bills receivable	**359,672**	304,474
Land use rights	**30,621**	31,319
Property, plant and equipment	**356,468**	379,496
	1,576,550	2,385,865

37. OPERATING LEASES

The Group as lessee

	2014 RMB'000	2013 RMB'000
Minimum lease payments paid under operating leases for premises	**3,178**	3,669

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	**6,211**	3,178
In the second to fifth year inclusive	**5,751**	4,656
	11,962	7,834

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

38. COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	**9,926,006**	3,346,679
– authorised but not contracted for	**12,080,188**	14,571,942
	22,006,194	17,918,621
Capital expenditure in respect of acquisition of a company		
– authorised but not contracted for	**666,359**	–

39. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
山東魏橋創業集團有限公司 (“Chuangye Group”) (note i)	note ii
濱州魏橋鋁業科技有限公司 (“Aluminum Technology”) (note i)	Controlled by Chuangye Group

Notes:

(i) The English names of the above companies are for reference only and have not been registered.

(ii) Mr. Zhang, the director and the controlling shareholder of the ultimate holding company of the Company, has a significant non-controlling beneficial interest in Chuangye Group, and is also the director of Chuangye Group.

(b) The Group has entered into the following significant transactions with its related party during the two years ended 31 December 2014:

	2014 RMB'000	2013 RMB'000
Purchases of carbon anode blocks		
– Aluminum Technology	**318,747**	305,489
Sales of slag of carbon anode blocks		
– Aluminum Technology	**28,149**	31,445

39. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel

	2014 RMB'000	2013 RMB'000
Short term employee benefit	**6,078**	5,652
Retirement benefits scheme contributions	**54**	37
	6,132	5,689

(d) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Chuangye Group	**550,000**	488,800

(e) Balances with related parties

	At 31 December 2014 RMB'000	At 31 December 2013 RMB'000
Trade payable		
Aluminum Technology	**3,224**	6,871

The aged analysis of trade payables presented based on the invoice date at the reporting date is as follows:

	2014 RMB'000	2013 RMB'000
0-180 days	**3,224**	6,871

40. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group has participated in certain defined contribution retirement schemes managed by the respective municipal governments where the Group operates, covering all permanent staff of the Group. The Group has no obligation beyond the contributions which are calculated based on 18% to 19% of permanent staff basic salaries during both years.

The total expense recognised in profit or loss of RMB85,992,000 (2013: RMB48,719,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at 31 December 2014, contributions of RMB3,404,000 (31 December 2013: RMB5,444,000) due in respect of the year ended 31 December 2014 had not been paid over to the plans. The amounts were paid subsequent to the end of the reporting period.

41. PARTICULARS OF SUBSIDIARIES

The particulars of subsidiaries of the Company as at 31 December 2014 and 2013 are set out as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2014 %	31 December 2013 %	Principal activity
China Hongqiao Investment Limited	BVI 5 February 2010	US$200	**100**	100	Investment holding
Hongqiao Investment (Hong Kong) Limited	Hong Kong 18 February 2010	HK$10,100	**100**	100	Investment holding
PT. Well Harvest Winning Alumina Refinery	Jakarta, Indonesia 20 March 2012	IDR 1,706,000,000,000	**60**	60	Manufacture and sales of alumina
Hongqiao International Trading Limited 宏橋國際貿易有限公司	Hong Kong 11 April 2012	HK$10,000,000	**100**	100	Trading of bauxite
山東宏橋新型材料有限公司 Shandong Hongqiao (note i)	PRC 27 July 1994	US$1,423,120,000	**100**	100	Manufacture and sales of aluminum products
山東魏橋鋁電有限公司 Alumina & Power (note i)	PRC 25 December 2002	RMB13,000,000,000	**100**	100	Manufacture and sales of aluminum products
濱州市政通新型鋁材有限公司 Zhengtong (note i)	PRC 20 May 2008	RMB6,200,000,000	**100**	100	Manufacture and sales of aluminum products
惠民縣匯宏新材料有限公司 Huimin Huihong New Aluminum (note i)	PRC 6 December 2011	RMB5,000,000,000	**100**	100	Manufacture and sales of aluminum products
沾化縣匯宏新材料有限公司 Zhanhua Country New Aluminum Profiles Co., Ltd. (note i)	PRC 8 August 2013	RMB200,000,000	**100**	100	Manufacture and sales of aluminum products

41. PARTICULARS OF SUBSIDIARIES (Continued)

The particulars of subsidiaries of the Company as at 31 December 2014 and 2013 are set out as follows: (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2014 %	31 December 2013 %	Principal activity
陽信縣匯宏新材料有限公司 Yangxin Country New Aluminum Profiles Co., Ltd. (note i)	PRC 9 August 2013	RMB200,000,000	**100**	100	Manufacture and sales of aluminum products
濱州北海匯宏新材料有限公司 Binzhou Beihai New Aluminum Profiles Co., Ltd. (note i)	PRC 2 September 2013	RMB200,000,000	**100**	100	Manufacture and sales of aluminum products
濱州市濱北新材料有限公司 Binzhou Binbei New Aluminum Profiles Co., Ltd. (note i and ii)	PRC 2 November 2011	RMB700,000,000	**100**	–	Manufacture and sales of aluminum products
山東宏橋融資租賃有限公司 Shandong Hongqiao Financial Leasing Co., Ltd. (note i)	PRC 19 May 2014	US$100,000,000	**100**	–	Financial leasing

Notes:

(i) The English names of these companies are for reference only and have not been registered.

(ii) Newly acquired on 22 December 2014.

The following subsidiaries had issued RMB15,300,000,000 debt securities at the end of the year:

	Total RMB'000	**Held by Group** RMB'000	**Held by third parties** RMB'000
Shandong Hongqiao	10,300,000	–	10,300,000
Alumina & Power	5,000,000	–	5,000,000

42. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

Information about financial position of the Company at the end of the reporting period includes:

	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**506**	426
Investments in subsidiaries	**9,724,837**	7,316,124
Amounts due from subsidiaries	**8,724,817**	5,424,043
	18,450,160	12,740,593
CURRENT ASSETS		
Prepayment and other receivables	**93,873**	1,001
Bank balances and cash	**25,570**	27,506
	119,443	28,507
CURRENT LIABILITIES		
Other payables	**5,654**	4,690
Dividends payables	**1**	–
Convertible bonds – liability component	**797,443**	–
Convertible bonds – derivative component	**84,588**	–
NET CURRENT (LIABILITIES) ASSETS	**(768,243)**	23,817
TOTAL ASSETS LESS CURRENT LIABILITIES	**17,681,917**	12,764,410
CAPITAL AND RESERVES		
Share capital	**403,152**	386,206
Share premium and reserves	**10,544,203**	9,444,810
TOTAL EQUITY	**10,947,355**	9,831,016
NON-CURRENT LIABILITIES		
Amount due to a subsidiary	**2,109,507**	2,115,839
Bank borrowings – due after one year	**378,454**	–
Guaranteed notes	**4,246,601**	–
Convertible bonds – liability component	**–**	750,001
Convertible bonds – derivative component	**–**	67,554
	17,681,917	12,764,410

42. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in reserves

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2013	386,206	4,832,946	3,193,854 [1]	636,516	9,049,522
Profit and total comprehensive income for the year	–	–	–	1,999,438	1,999,438
Dividend recognised as distribution	–	–	–	(1,217,944)	(1,217,944)
At 31 December 2013	386,206	4,832,946	3,193,854	1,418,010	9,831,016
Issue of new shares	16,946	1,336,490	–	–	1,353,436
Transaction costs on issue of new shares	–	(14,997)	–	–	(14,997)
Profit and total comprehensive income for the year	–	–	–	1,039,129	1,039,129
Dividend recognised as distribution	–	–	–	(1,261,229)	(1,261,229)
At 31 December 2014	**403,152**	**6,154,439**	**3,193,854**	**1,195,910**	**10,947,355**

[1] Capitalisation of amount due to a related party.

43. EVENTS AFTER THE REPORTING PERIOD

On 5 March 2015, Shandong Hongqiao issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 5 March 2016. The debentures carry fixed interest at 5.72% per annum. Interest is payable annually in arrears.

On 23 March 2015, Shandong Hongqiao issued the first tranche of the private placement notes, of a principal amount of RMB1,000,000,000 with a maturity date of 23 March 2016. The notes carry fixed interest at 6.80% per annum. Interest is payable annually in arrears.