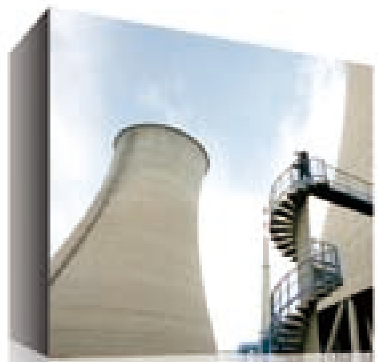
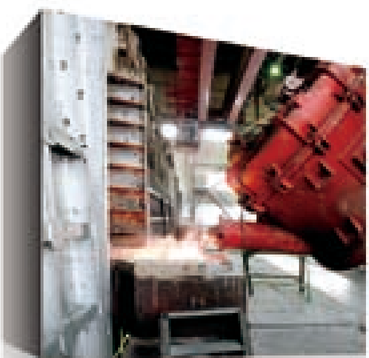
China Hongqiao Group Limited
中國宏橋集團有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)
Stock Code : 01378



ANNUAL REPORT 2011

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Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December (RMB'000)				
	2007	2008	2009	2010	**2011**
Continuing operations					
Revenue	4,508,281	8,772,162	8,668,428	15,131,591	**23,626,031**
Gross profit	1,390,402	533,456	899,330	5,741,869	**8,176,386**
Gross profit margin (%)	30.8	6.1	10.4	37.9	**34.6**
Profit before income tax	1,356,757	382,504	774,007	5,584,584	**7,953,871**
Continuing and discontinued operations					
Net profit attributable to shareholders of the Company	1,302,714	420,297	556,289	4,195,738	**5,875,410** [1]
Net profit margin (%)	29.5	4.9	6.5	27.9	**24.9**
Basic earnings per share (RMB)	0.26	0.08	0.11	0.84	**1.03**

Assets and liabilities

	As at 31 December (RMB'000)				
	2007	2008	2009	2010	**2011**
Total assets	9,355,765	11,151,792	11,387,261	13,345,696	**29,669,048**
Equity	2,150,975	2,579,849	3,147,491	7,302,541	**18,397,034**
Total liabilities	7,204,790	8,571,943	8,239,770	6,043,155	**11,272,014**
Return on equity[2] (%)	89.4	18.1	19.8	80.8	**45.7**
Current ratio[3] (%)	53	48	47	236	**151**
Accounts receivable turnover[3] (days)	6	2	2	1	**1**
Inventory turnover[3] (days)	64	33	30	32	**36**
Accounts payable turnover[3] (days)	57	38	33	21	**22**

Note:

1 The Company had no discontinued operations in 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)*
Qi Xingli *(Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen

JOINT COMPANY SECRETARIES

Zhang Yuexia
Ho Wing Yan

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

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

PLACE OF BUSINESS IN HONG KONG

43/F
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

HEAD OFFICE IN THE PRC

Huixian One Road
Zouping Economic Development District
Zouping County
Shandong Province
PRC

CAYMAN ISLANDS REGISTERED OFFICE

Scotia Centre, 4th Floor
P.O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

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
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

Miss Wong Yuting
Tel: (852) 2815 1080
Fax: (852) 2815 0089
Email: christine@hongqiaochina.com

COMPANY WEBSITE

www.hongqiaochina.com

STOCK CODE

01378

Shareholders' Reference

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 2011

5,885,000,000

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

Imagination Asia Ltd
Tel: (852) 3513 1300
Fax: (852) 3513 1388
Email: chinahongqiao@imagination.com
Address: 32nd Floor, Cambridge House
Taikoo Place
979 King's Road
Island East
Hong Kong

FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
9 March 2012

ANNUAL GENERAL MEETING

3 May 2012

EXPECTED DATE OF FINAL DIVIDEND PAYMENT

5 June 2012

Chairman's Statement

Dear Shareholders,

It is my pleasure to present on behalf of the board of directors (the "Board") of China Hongqiao Group Limited ("China Hongqiao" or the "Company") the annual results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2011 (the "Year" or "Period under Review").

SUCCESSFUL LISTING

The successful listing of the Company in 2011 marked a key milestone for the Group's development. Having been listed on the Main Board of The Stock Exchange of Hong Kong Limited for almost a year, the Company has successfully established a diversified financing platform to help expedite its expansion plans. We have also upgraded our production facilities and production capacity, further enhanced our efficiency and augmented our market position, each of which has strengthened our ability to benefit from market opportunities. Since our listing, we have committed to improve our corporate governance and transparency, as well as further enhance the Group's competitive advantages in the aluminum industry, while consolidating our position in the PRC and globally as a leading aluminum product manufacturer by aluminum product production of "high efficiency, energy conservation and environment friendliness".

RESULTS AND ACHIEVEMENTS

In 2011, the steady growth of China's economy continued to bolster market demand for aluminum products. Against this backdrop, the Group continued to expand its production capacity and industrial chain and diversified its product portfolio to meet market and consumer demand. Furthermore, the Group continued the expansion of its power production facilities, optimized production and efficiency, and effectively controlled costs in order to further boost its profitability. As at 31 December 2011, the Group's manufacturing facilities had a designed annual production capacity of 1,776,000 tons of aluminum products, ranking fourth amongst all aluminum product manufacturers in China. Leveraging on the local industry cluster advantage and the Group's economies of scale, unique business model and effective cost control, we have fulfilled our promises by again delivering satisfactory results. During the Period under Review, the Group recorded revenue of approximately RMB23,626.0 million, representing a year-on-year increase of approximately 56.1%. Gross profit amounted to approximately RMB8,176.4 million, representing a year-on-year increase of approximately 42.4%. Net profit attributable to owners of the Company amounted to approximately RMB5,875.4 million, representing a year-on-year increase of approximately 40.0%. Earnings per share were approximately RMB1.03 (2010: approximately RMB0.84). The Board recommended the payment of a final dividend HK$32.0 cents per share for the year 2011 (2010: Nil).

INCREASING DEMAND FOR ALUMINUM

During the Year, although the market was dampened by external factors, such as economic uncertainties in Europe, which led to volatility in the price of aluminum, the Group still managed to implement its business strategies by focusing on the domestic market. The Ministry of Industry and Information Technology of the People's Republic of China released the "12th Five-Year Plan for the Nonferrous Metal Industry" on 4 December 2011, which sets the industrial growth rate of the non-ferrous metals industry, including the aluminum industry, at a target average annual growth rate of not less than 10% between 2012 and 2015 (the "12th Five-Year Plan"); whilst the "12th Five-Year Plan for Aluminum Industry" targets an average annual growth rate specifically for the aluminum industry of not less than 12%. Although the growth rate is slightly lower than the target originally stipulated by the "11th Five-Year Plan", we believe that domestic demand will remain strong enough to buoy the growth of the Chinese aluminum market. In addition, the central government's increasing investment in infrastructure, the steady development of the domestic transportation and electronic products industries, etc., indicate that the market demand for aluminum products remains optimistic.

OUTLOOK

The Group's current aggregate designed annual production capacity of aluminium products was increased to 1,776,000 tons. As at 31 December 2011, the Group's production facilities, which have a capacity of 1,566,000 tons, were put into operation and the remaining production facilities will be in full operation by 2012, which will further help expand our market share. As for our captive power production facilities, the Group currently possesses units with an aggregate installed capacity of 1,740MW. The construction of additional units with an aggregate installed capacity of 990MW are expected to be completed by the end of 2012. As our new units gradually begin operation, the Group's self-supplied electricity ratio will be further increased, which will help us to further control our production costs, so as to consolidate the Group's core strengths.

In addition to continuing to expand production scale and consolidating our leading position in the industry, the Group will also strive to expand the industrial chain and develop clean energy and recycling economy in order to build a competitive enterprise with integration of upstream and downstream businesses with power supply capabilities. The Group continues to expand the industrial chain and further realize industrial integration based on its business development needs. On the one hand, we will advance our upstream raw materials business, including continuing the construction of the projects for the comprehensive utilization of coal fly ash in order to satisfy the increasing needs for the key raw materials alumina used for the production of aluminum products arising from the expansion of the Group's production capacity; and overseas exploration to identify quality bauxite resources to strengthen the stability of raw materials supply. On the other hand, we will also develop advanced aluminum processing business to optimize the product mix, further enhance the added-value of the Group's products and improve our economic efficiency. We believe such plan will bring China Hongqiao to new heights. Moreover, in the long run, the expansion of the industrial chain helps fortify the foundation for the Group's business as well as the industry cluster, which in turn brings positive impacts on our cost structure and scale.

Looking ahead, while we expect the outlook of the aluminum market to remain optimistic, it will also be full of competition and uncertainties. When facing such opportunities and challenges, it is a leading company's vision, scale and strategy that sets it apart from the competition and allows it to maintain steady growth. The Group will further expand its core competitiveness and sustainable development capacity through a series of business strategies. We plan to further strengthen our financial position and accelerate our expansion plans by exploring multiple channels. Meanwhile, we will reinforce effective communication with investors and stakeholders so as to maintain transparency of the Group. In addition, we will continue to stay abreast with the economic environment, changes in government policies and trends in the aluminum industry, in order to grasp every opportunity to enhance the Group's sustainable development and deliver fruitful results to our shareholders.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all employees of the Group for their tireless efforts and dedication, which were critical to the Group achieving the outstanding results in 2011 and enhancing its competitive edge. We are also very grateful for the continued support and trust of our shareholders, customers and business partners.

Zhang Shiping
Chairman of the Board

9 March 2012

Management Discussion and Analysis

INDUSTRY REVIEW

The year of 2011 posed a great deal of challenge for most aluminum manufacturers, particularly to those who lack flexibility in production costs. These challenges largely arose from rising costs driven by increases in electricity and coal prices, coupled with the global economic slowdown triggered by the European debt crisis.

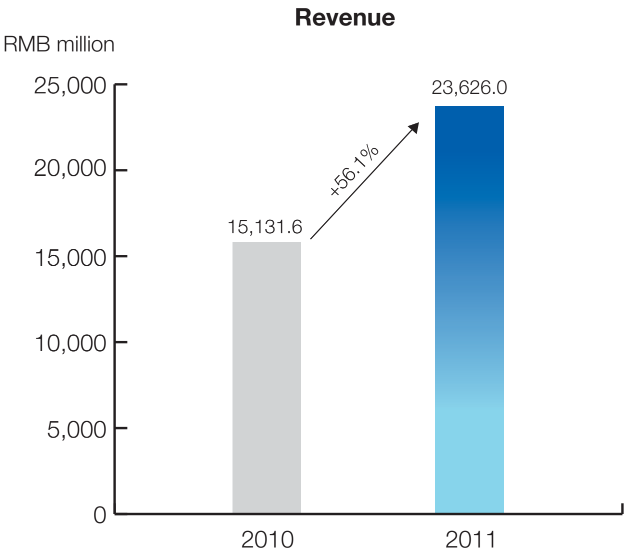
In terms of PRC domestic supply and demand, the demand for aluminum products continued to grow. While there was a slowdown in construction of commodity housing under the influence of regulatory measures, the indemnificatory housing construction plan remained unchanged. Strong demand for new energy vehicles and China's car subsidy program for rural areas also stimulated production and sales volumes. On the other hand, the use of aluminum as a replacement for copper became increasingly popular. All of those led to the continuous growth in demand for aluminum products. As for supply, electricity tariffs were raised twice in 2011, resulting in the increases in production costs of some enterprises in the aluminum industry, so that some manufacturers had to scale down or even suspend production due to further cost increases. However, significant new production capacity, particularly in the northwest regions of China, including the Xinjiang province, Inner Mongolia and Qinghai province, went into operation and boosted the overall domestic production volumes. According to Antaike, the global production volume of primary aluminum for 2011 was approximately 45,990,000 tons, representing an increase of approximately 7.9% as compared with 2010, among which, the primary aluminum production volume in China had a year-on-year increase of approximately 11.4%, to approximately 19,600,000 tons. As for consumption, the global consumption of primary aluminum in 2011 amounted to approximately 45,550,000 tons, representing an increase of approximately 7.9% over 2010, of which, consumption of primary aluminum in China amounted to approximately 20,050,000 tons, representing an year-on-year increase of approximately 14.6%.

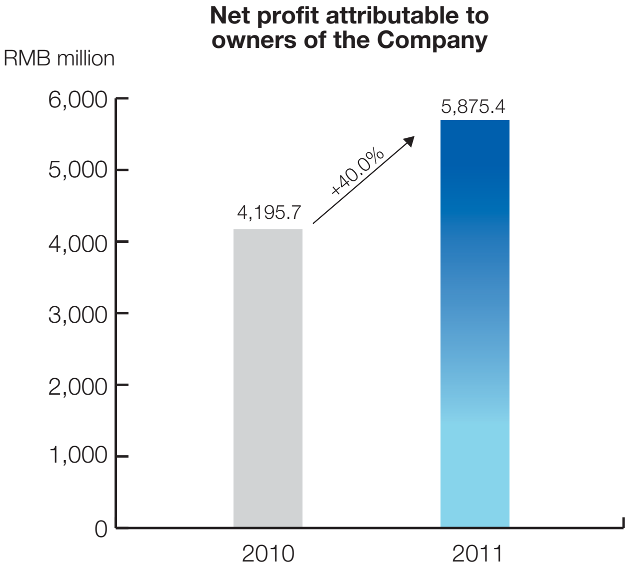
In 2011, the price of aluminum rallied early in the year before retreating in the latter part of the year. During the first half of the year, the price of aluminum continued to ascend from the high level recorded in the second half of 2010. Driven by factors such as a strong demand from downstream processing, export growth and inflation, the average spot price quoted on the Shanghai Futures Exchange ("SHFE") reached the highest point of the year at RMB17,959 per ton (tax inclusive) in August. The price of aluminum descended as the fundamental conditions of the aluminum market were adversely affected by the global economic slowdown driven by the European debt crisis. As at the end of December 2011, the three-month aluminium futures price quoted on the London Metal Exchange ("LME") was USD2,032 per ton and the three-month aluminium futures price on the SHFE was RMB16,002 per ton (tax inclusive).

BUSINESS REVIEW

During the Year, China Hongqiao focused on further strengthening its core competitiveness. The Group increased its overall production capacity through the construction of new facilities and further optimization of its operations. As of 31 December 2011, the Group's aggregate designed annual production capacity reached 1,776,000 tons, ranking as the fourth largest aluminum product manufacturer in China (corporate ranking source: Antaike). Given the increasing market demand, the Group's total output in 2011 amounted to approximately 1,594,193 tons, representing a year-on-year increase of approximately 48.1%.

The Group's revenue and net profit attributable to owners of the Company for the year ended 31 December 2011, with comparison figures for the year ended 31 December 2010, are as follows:





For the year ended 31 December 2011, the Group recorded revenue of approximately RMB23,626.0 million, representing a year-on-year growth of approximately 56.1%, mainly due to increases in the Group's production capacity and sales volumes during the Year as well as an increase in the average selling price of our aluminum products. During the Year, the sales volume of the Group's aluminum products was approximately 1,585,810 tons, representing an increase of approximately 48.9% from approximately 1,064,775 tons of sales volume in previous year. The average selling price of our aluminum products increased by approximately 6.5% from approximately RMB13,575 per ton in 2010 to approximately RMB14,458 per ton in 2011.

For the year ended 31 December 2011, net profit attributable to owners of the Company amounted to approximately RMB5,875.4 million, representing a year-on-year growth of approximately 40.0%, mainly due to the increases in production capacity and production volume, as well as the increases in sales volume and net profit of the Group's aluminum products, driven by the rise in the average selling price of the Group's aluminum products, which was resulted from the strong demand in the aluminum market.

The tables below are a comparison of the breakdown of revenue by products for the years ended 31 December 2011 and 2010:

Revenue breakdown by products

	For the year ended 31 December			
	2011		2010	
Products	**Revenue**	**Percentage of total revenue**	Revenue	Percentage of total revenue
	RMB'000	**%**	RMB'000	%
Molten aluminum alloy	**16,972,433**	**71.8**	12,204,082	80.7
Aluminum alloy ingots	**5,845,640**	**24.7**	2,183,065	14.4
Aluminum busbars	**102,955**	**0.4**	66,786	0.4
Aluminum alloy casting-rolling product	**7,361**	**0.1**	–	–
Steam	**697,642**	**3.0**	677,658	4.5
Total	**23,626,031**	**100.0**	15,131,591	100.0

As for our products, the Group's revenue derived from aluminum products was approximately RMB22,928.4 million, accounting for approximately 97.0% of total revenue for the year ended 31 December 2011. Among which, the decrease in percentage share of molten aluminum alloy in the revenue mainly resulted from the enlarged production scale of the Group, and the sales of aluminum alloy ingots were increased accordingly. Revenue derived from sales of steam was approximately RMB697.6 million, accounting for approximately 3.0% of our total revenue.

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 derived from its major products for the years ended 31 December 2011 and 2010:

	For the year ended 31 December					
	2011			2010		
Products	**Revenue RMB'000**	**Gross profit RMB'000**	**Margin %**	Revenue RMB'000	Gross profit RMB'000	Margin %
Aluminum products	**22,928,389**	**8,006,762**	**34.9**	14,453,933	5,517,416	38.2
Steam	**697,642**	**169,624**	**24.3**	677,658	224,453	33.1
Total:	**23,626,031**	**8,176,386**	**34.6**	15,131,591	5,741,869	37.9

For the year ended 31 December 2011, the overall gross profit margin of the Group's products decreased by approximately 3.3 percentage points to 34.6% as compared with 37.9% in 2010. This was mainly due to an increase in the price of raw materials and an increase in the percentage of the electricity we purchased as compared to that we consumed from our own electricity production facilities. The average cost of sales per ton of the aluminum products sold by the Group increased by approximately 12.1% as compared with 2010, while the unit sale price increased by approximately 6.5%. Upon the completion of the new power production facilities, the Group expects the percentage of self-supply electricity to rise, which will bring a positive impact on our overall gross profit margin.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately 120.5% to approximately RMB44.1 million for the year ended 31 December 2011 from approximately RMB20.0 million for the previous year, which was mainly attributable to an increase in transportation cost as a result of the increase in sales volume of the Group's aluminum products and an increase in transportation unit cost.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2011 amounted to approximately RMB167.0 million, representing an increase of approximately 49.1% as compared with approximately RMB112.0 million for the previous year. Such an increase was mainly due to an increase in employee headcounts and their remuneration. On the other hand, this was because of the increase in local tax payables and amortization of prepaid lease payment arising from the Group's purchase of land, which is for the construction of new plants for the expansion of its production capacity.

Other expenses

For the year ended 31 December 2011, other expenses of the Group amounted to approximately RMB22.6 million, which was mainly due to the fees incurred in connection with the listing of the Company.

Finance costs

For the year ended 31 December 2011, finance costs of the Group were approximately RMB300.8 million, representing an increase of approximately 55.9% as compared with approximately RMB193.0 million for the previous year. This was mainly due to an increase in bank loans and the increase in interest rates during the Year as compared with the previous year.

Liquidity and financial resources

As at 31 December 2011, cash and cash equivalents of the Group were approximately RMB7,484.8 million, representing an increase of approximately 180.4% as compared with that of approximately RMB2,669.6 million as at 31 December 2010.

The Group principally satisfies its demand for operating capital through cash inflow from operations. For the year ended 31 December 2011, the Group had a net cash outflow from investing activities of approximately RMB8,898.4 million, a net cash inflow from financing activities of approximately RMB8,083.5 million and a net cash inflow from operating activities of approximately RMB5,630.1 million.

For the year ended 31 December 2011, the capital expenditures of the Group amounted to approximately RMB9,153.5 million, mainly for the expansion of its aluminum production capacity and the investment in its captive power production facilities. Among others, the net proceeds of approximately RMB5,365.0 million from the Company's initial public offering have been utilised in the manner consistent with that stated under the section headed "Use of Proceeds" of the prospectus of the Company dated 14 March 2011 ("Prospectus").

As at 31 December 2011, the Group had a capital commitment of approximately RMB14,410.5 million, representing capital expenditure in respect of acquisition of property, plant and equipment, primarily related to the construction of the aluminum advanced processing facilities and the captive power production facilities.

For the year ended 31 December 2011, the Group's average turnover days of trade receivables was approximately 1 day, which was the same as compared with approximately 1 day of the previous year. It was mainly because the Group required prepayment before delivery, and if the value of actual shipment exceeded the prepayment, the Group would grant its customers no more than a 90 days credit period, therefore, the Group's trade receivables turnover period was generally quite short.

For the year ended 31 December 2011, the Group's turnover days of inventory was approximately 36 days, representing a slight increase as compared with approximately 32 days of the previous year, which was mainly due to the increase in the inventory of raw materials required for its production and the increase in work-in-process products as a result of the operation of the new production line for aluminum products.

Contingent liabilities

In 2010 and 2011, Wuhan Boiler Company Limited ("Wuhan Boiler") initiated legal proceedings against the Company in respect of the boiler purchase agreements entered into with the Company, respectively. As at 31 December 2011, the Group incurred contingent liabilities of approximately RMB512.3 million (31 December 2010: approximately RMB335.0 million) with respect to such claims. Please refer to note 36 of the consolidated financial statements to the annual report. Please also refer to the paragraph "Litigation" under the section "Business" in the prospectus of the Company and the announcements made by the Company dated 12 April 2011 and 12 September 2011 for the details of the Group's litigations with Wuhan Boiler.

Income tax

The Group's income tax for 2011 amounted to approximately RMB2,078.5 million, representing an increase of approximately 48.9% as compared with approximately RMB1,395.9 million for the previous year, which was mainly attributable to the increase of the Group's profit before taxation.

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

Net profit attributable to owners of the Company was approximately RMB5,875.4 million for the year ended 31 December 2011, representing an increase of approximately 40.0% as compared with approximately RMB4,195.7 million in 2010. Earnings per share of the Company in 2011 were approximately RMB1.03. Please refer to note 13 of the consolidated financial statements for details of the calculation.

Capital structure

We have built an appropriate liquidity risk management framework to manage our short, medium and long-term funding and to satisfy our liquidity management requirements. Cash and cash equivalents of the Group amounted to approximately RMB7,484.8 million (31 December 2010: approximately RMB2,669.6 million) as at 31 December 2011 and were mainly deposited with commercial banks. As at 31 December 2011, the total liabilities of the Group amounted to approximately RMB11,272.0 million (31 December 2010: approximately RMB6,043.2 million). Gearing ratio (total liabilities to total equity) was approximately 61.3% (31 December 2010: approximately 82.8%). For the year ended 31 December 2011, the Group had secured the land use rights with carrying value amounted to approximately RMB 32.7 million for obtaining bank loans.

The Group maintained a balanced portfolio of loans at a fixed interest rate and variable rates to manage its interest expenses. As at 31 December 2011, approximately 43.1% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 56.9% were subject to floating interest rates.

The Group used its restricted bank deposits, oversea subsidiaries' shares and prepaid lease payments for its bank borrowings as collateral and financing its daily operations and project construction. As of 31 December 2011, the Company's secured bank borrowings amounted to approximately RMB1,125.7 million (31 December 2010: approximately RMB89.9 million).

The Group maintains a balance between the continuity and flexibility of funds through bank loans. As at 31 December 2011, approximately 44.6% of the Group's borrowings will become due within one year.

As at 31 December 2011, the Group's borrowings were mostly denominated in RMB and US dollars accounting for approximately 84.2% and 15.8% of the total borrowings, respectively. Cash and cash equivalents were mainly held in RMB, US dollars and HK dollars, of which approximately 0.3% was held in US dollars and approximately 1.2% of the cash and cash equivalents was held in HK dollars.

Employee and remuneration policy

As at 31 December 2011, the Group had a total of 18,111 employees, representing an increase of 4,227 employees as compared with 2010. As a result of the expansion of its production capacity, the Group recruited additional staff to meet the needs of the Group's production. During the Year, total staff costs amounted to approximately RMB557.5 million, representing approximately 2.4% of our revenue. The remuneration packages of our employees include salary and various types of benefits.

In addition, we have established a performance-based remuneration system under which employees may be awarded with additional bonuses. We provide training programs for our employees to equip them with the requisite skills and knowledge.

Exposure to foreign exchange risk

We collected all of our revenue in RMB and funded most of our capital expenditures in Renminbi. As certain bank balances and borrowings are denominated in foreign currencies, we are exposed to certain currency risks. As of 31 December 2011, our bank balances denominated in foreign currencies were approximately RMB108.9 million and bank borrowings were approximately RMB1,134.2 million. For the year ended 31 December 2011, the Group recognized foreign exchange loss of approximately RMB25.8 million.

We have not used any financial instruments to hedge against currency risk.

A new subsidiary established in China

In order to better fulfill the Group's expanded production capacity, being more beneficial for the aluminum industry cluster in Binzhou and to have the effect of avoiding over-concentration of the products bases and diversification of operational risks, a wholly owned subsidiary, Huimin Huihong New Profiles Co., Ltd was established by Zhengtong on 6 December 2011. The registered capital amounted to RMB200 million and the registered address is Yue Hu Road North, Hu Ji Town, Huimin County, which is located at the Group's coverage area of power transmission line across Huanghe. The Group intends to construct its fourth production base of aluminum products through such subsidiary.

Directors and Senior Management

DIRECTORS

Our Board of Directors 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 the Board of Directors of our Company:

Name	Age	Position
ZHANG Shiping	65	Chairman and Executive Director
ZHENG Shuliang	65	Vice Chairman and Executive Director
ZHANG Bo	42	Chief Executive Officer and Executive Director
QI Xingli	47	Chief Financial Officer and Executive Director
YANG Congsen	42	Non-Executive Director
ZHANG Jinglei	35	Non-Executive Director
XING Jian	62	Independent Non-Executive Director
CHEN Yinghai	52	Independent Non-Executive Director
HAN Benwen	61	Independent Non-Executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 65, was appointed the Chairman and an Executive Director of our Company on January 16, 2011 and 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) (stock code: 2698) (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) 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 Company Limited (魏橋紡織股份有限公司) (stock code: 2698), Chairman of 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. Mr. Zhang Shiping is the founder of our Group and joined Shardong Weiqiao Aluminum and Power Co. Ltd. (山東魏橋鋁電有限公司) ("Aluminum & Power") in December 2002 as a director. He has six years' experience in aluminum industry since the commencement of aluminum business in 2006. Mr. Zhang Shiping joined our Group in July 1994. He was a deputy to the 9th and 10th 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 65, was appointed the Vice Chairman and an Executive Director of our Company on January 16, 2011. 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. Ms. Zheng Shuliang joined our Group in July 2009 and has been a Director and Vice Chairman of Shandong Hongqiao. 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 42, was appointed an Executive Director and Chief Executive Officer of our Company on January 16, 2011. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and has obtained a bachelor's degree in economics in August 1996. He has also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He is responsible for overseeing our Group's general operation, marketing and promotion for our Group. He has more than 13 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 Company Limited (魏橋紡織股份有限公司) (stock code: 2698) (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 Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) from November 2001 to May 2010. He is currently a director of Chuangye Group. Mr. Zhang Bo 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 5 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 a deputy to the People's Congress of Shandong Province, 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.

Mr. Qi Xingli (齊興禮), aged 47, was appointed an Executive Director and the Chief Financial Officer of our Company on January 16, 2011. He graduated from Shandong Cadre Correspondence University (山東幹部函授大學) and obtained a university diploma in financial accounting in June 1998. He also obtained the certificate as an international certified senior accountant by the International Profession Certification Association in June 2010. He oversees our Group's finance and accounting functions and has over 18 years' experience in financial management. He had also been Deputy Director and Director of the financial division, Deputy General Manager and Director of Chuangye Group (including its predecessor) from February 1994 to October 2000, General Manager, Executive Director and the Chief Financial Officer of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698) from November 1999 to June 2010, a supervisor of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010 and a Director of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) from November 2001 to May 2010. Mr. Qi Xingli joined our Group in June 2010.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 42, was appointed a Non-Executive Director of our Company on January 16, 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 was responsible for the production and operation of the self-owned power plants of our Group prior to the Listing and has over 11 years' management experiences. 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 Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司熱電廠) from December 1999 to October 2003, Deputy General Manager of Chuangye Group from January 2005 to June 2006. He joined our Group in January 2007. He was also the Deputy General Manager of Aluminum & Power prior to the Listing. 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 35, was appointed a Non-Executive Director of our Company on January 16, 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 Company Limited (stock code: 2698) (魏橋紡織股份有限公司) (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile Company Limited (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 Company Limited from October 2000. Mr. Zhang Jinglei joined our Group in January 2011. He is currently an Executive Director and Company Secretary of Weiqiao Textile Company Limited (stock code: 2698) (魏橋紡織股份有限公司).

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 62, was appointed an Independent Non-Executive Director of our Company on January 16, 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 52, was appointed an Independent Non-Executive Director of our Company on January 16, 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. (融豐行投資有限公司) since October 2001.

Mr. Han Benwen (韓本文), aged 61, was appointed an Independent Non-Executive Director of our Company on January 16, 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) ("Jianxin", 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 34, is the Vice President of our Company and the Manager of the accounting department of our Company. 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 has over 11 years' accounting experience. Ms. Zhang Ruilian joined our Group in June 2006. She held the positions of the Manager of audit department of Chuangye Group from December 2005 to June 2006, Manager of accounting department of Aluminum & Power from June 2006 to July 2009. She is currently the Manager of accounting department of Aluminum & Power and Manager of accounting department of Shandong Hongqiao.

Mr. Wang Donghua (王東華), aged 34, is the Vice President of our Company and is in charge of our capital markets and merger and acquisition activities. He obtained his master's degree in finance from the European University in Geneva, Switzerland in July 2002. He worked as the Assistant to the chairman and the Investor Relations Director of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698) and was in charge of its capital markets and merger and acquisition activities, including but not limited to communications with investment banks, securities firms and institutional investors, financing and merger and acquisition from 2003 to June 2010. Mr. Wang Donghua had not served any position in our Group prior to his appointment as the Vice President of our Company.

Mr. Deng Wenqiang (鄧文強), aged 40, 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. Mr. Deng Wenqiang 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 as well as the executive director and manager of Huimin Huihong New Aluminum Profiles Co., Ltd. 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.

JOINT COMPANY SECRETARIES

Ms. Zhang Yuexia (張月霞), aged 36, was appointed the Secretary of our Company on January 16, 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 10 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 Company Limited (魏橋紡織股份有限公司) (stock code: 2698) from March 2008 to January 2010. Ms. Zhang Yuexia had not served any position in our Group prior to January 16, 2011.

Ms. Ho Wing Yan (何詠欣), aged 30, was appointed the Secretary of our Company on January 16, 2011. She graduated from Hong Kong Baptist University (香港浸會大學) and obtained a bachelor's degree in business administration (applied economics) in November 2004. She has also obtained a master's degree of corporate governance from the Open University of Hong Kong (香港公開大學) in June 2009. She was admitted as an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in November 2009. She is also a holder of the Practitioner's Endorsement issued by The Hong Kong Institute of Chartered Secretaries. Ms. Ho has extensive experience in the company secretarial field for listed companies.

Report of the Directors

The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2011.

CORPORATE REORGANIZATION AND INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands on 9 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands.

Through a series of group reorganization procedures, the Company became the holding company of the Group.

Details of group reorganization are set out in the prospectus of the Company.

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 24 March 2011 (the "Listing Date").

PRINCIPAL ACTIVITIES

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

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2011 and the financial position of the Group as at 31 December 2011 are set out on pages 38 to 39 in the audited financial statements of this annual report.

The Board has recommended the payment of a final dividend of HK$32.0 cents per share for the year ended 31 December 2011. The proposed final dividends, subject to the approval of the shareholders at the forthcoming annual general meeting, will be paid on 5 June 2012 to the shareholders whose names appear on the register of members of the Company on 23 May 2012.

USE OF PROCEEDS FROM THE LISTING

The net proceeds from the Company's initial public offering has been fully utilised in the manner consistent with that stated under the section headed "Use of Proceeds" of the Prospectus.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Monday, 30 April 2012 to Thursday, 3 May 2012 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the forthcoming 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 Friday, 27 April 2012. 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 Monday, 21 May 2012 to Wednesday, 23 May 2012 (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 Friday, 18 May 2012. 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 2007, 2008, 2009 and from the audited consolidated financial statements of the Group for the years ended 31 December 2010 and 2011 on pages 38 to 39 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
CONTINUING OPERATIONS					
Revenue	4,508,281	8,772,162	8,668,428	15,131,591	**23,626,031**
Cost of sales	(3,117,879)	(8,238,706)	(7,769,098)	(9,389,722)	**(15,449,645)**
Gross profit	1,390,402	533,456	899,330	5,741,869	**8,176,386**
Other income and gain and loss	75,306	178,649	97,216	210,535	**311,960**
Distribution and selling costs	(10,911)	(52,849)	(40,961)	(19,977)	**(44,054)**
Administrative expenses	(42,070)	(83,734)	(92,335)	(112,038)	**(167,033)**
Other expenses	–	–	–	(42,815)	**(22,569)**
Finance costs	(55,970)	(193,018)	(89,243)	(192,990)	**(300,819)**
Profit before taxation	1,356,757	382,504	774,007	5,584,584	**7,953,871**
Income tax expense	(452,855)	(98,921)	(196,924)	(1,395,868)	**(2,078,461)**
Profit for the year from continuing operations	903,902	283,583	577,083	4,188,716	**5,875,410**
DISCONTINUED OPERATIONS					
Profit (loss) for the year from discontinued operations	425,398	145,291	(9,441)	31,515	**–**
Profit for the year	1,329,300	428,874	567,642	4,220,231	**5,875,410**
Profit and total comprehensive income attributable to					
Owners of the Company	1,302,714	420,297	556,289	4,195,738	**5,875,410**
Non-controlling interests	26,586	8,577	11,353	24,493	**–**

Assets and liabilities

	As at 31 December				
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2010 RMB'000	**2011 RMB'000**
Total assets	9,355,765	11,151,792	11,387,261	13,345,696	**29,669,048**
Total liabilities	7,204,790	8,571,943	8,239,770	6,043,155	**11,272,014**

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2011 are set out in Note 15 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank borrowings of the Group during the Year are set out in Note 25 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 2011 and as at that date are set out in note 26 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 the Company's Bye-laws 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 2011 and up to and including the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2011 and up to the date of this annual 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 share capital 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 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 period from the Listing Date of the Company to 31 December 2011 and up to the date of this annual report.

RESERVES

Details of change in the reserves of the Group during the year ended 31 December 2011 are in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Group's reserves amounted to approximately RMB18,010.8 million, of which approximately RMB5,626.3 million was capital reserve, approximately RMB1,849.5 million was statutory surplus reserve and approximately RMB10,535.0 million was retained earnings. As the Group's profits of approximately RMB5,189.0 million generated from 1 January 2008 up to 31 December 2010 will not be distributed in the foreseeable future, therefore, the Group's distributable reserves to shareholders as at 31 December 2011 is approximately RMB5,346.0 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, sales to the Group's five largest customers accounted for 65.1% of the Group's total sales for the year ended 31 December 2011, and sales to its largest customer accounted for 33.5% of the Group's total sales for the year ended 31 December 2011.

During the year ended 31 December 2011, purchases from the Group's five largest suppliers accounted for 69.3% of the Group's total purchases for the year ended 31 December 2011, and purchases from the Group's largest supplier accounted for 61.6% of the Group's total purchases for the year ended 31 December 2011.

To the best knowledge of the Board, none of the Directors and their associates as well as substantial shareholders own more than 5% of the Company's share capital and had any equity interests in the five major customers and suppliers of the Company during the Reporting Period save as disclosed in the 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 of Hong Kong Limited ("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 as well as the Group's results. 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 forthcoming annual general meeting 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)*
Mr. QI Xingli *(Chief Financial 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 16 to page 19 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 2011 and up to the date of this annual report.

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

As at 31 December 2011, 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	84.96
Ms. ZHENG Shuliang(2)	Spouse	5,000,000,000	84.96
Hongqiao Holdings	Beneficial	5,000,000,000	84.96

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, is deemed to be interested in all the shares of the Company in which Mr. ZHANG is interested.

Save as disclosed above, as at 31 December 2011, 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 Hong Kong 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 2011, the Directors and chief executive had the following interests or short positions in the shares, underlying shares or 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 the Company (the "Model Code") as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the shares of the Company

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	84.96
Ms. ZHENG Shuliang(2)	Spouse	5,000,000,000	84.96

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 in which Mr. ZHANG Shiping is interested.

Save as disclosed above, as at 31 December 2011, 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 for Securities Transaction by Directors of Listed Companies ("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 contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year and up to the date of this annual report.

CONNECTED TRANSACTIONS

The related party transactions disclosed in Note 35 to the financial statements constituted connected transactions under the Listing Rules and the Company has complied with all the relevant requirements under Chapter 14A of the Rules Governing the Listing of Securities on the Main Board.

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). 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 33.72% 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. For the year ended 31 December 2011, Aluminum Technology was one of the five major suppliers of the Group.

(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 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.

During the year, the purchase of carbon anode blocks from Aluminum Technology amounted to RMB333,744,000 which was within the 2011 annual cap of RMB340,000,000. The sales of slag of carbon anode blocks to Aluminum Technology amounted to RMB23,999,000, which was within the 2011 annual cap of RMB24,000,000.

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 during the financial year:

(i) the above continuing connected transactions have been approved by the board of Directors;

(ii) the above continuing connected transactions are in accordance with the pricing policies of the Company;

(iii) the above continuing connected transactions have been entered into in accordance with the terms of the agreements governing such transactions; and

(iv) the respective cap amounts set out in the relevant agreements referred to above have not been exceeded.

PENSION SCHEME

Details of the pension scheme of the Group are set out in Note 37 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 2011 and up to the date of this annual 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. Since the Listing Date on 24 March 2011, the Company is 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 Listing Rules as at the date of this annual 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 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 the three Independent Non-executive Directors. An Audit Committee meeting was held on 9 March 2012 to review the consolidated financial statements of the Group for the year ended 31 December 2011. The Audit Committee considered that the annual financial results for the year ended 31 December 2011 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 2011. A resolution for the reappointment of Deloitte Touche Tohmatsu as the international auditors of the Company will be proposed at the Annual General Meeting 2011.

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

9 March 2012

Corporate Governance Report

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 ensuring 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. Since listing date, 24 March 2011, the Company has complied with the 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company confirmed that each of the Directors has complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2011.

THE BOARD OF DIRECTORS

As at 31 December 2011, the Board of the Company comprised four 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)*
Mr. QI Xingli *(Chief Financial 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 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, appointment of directors 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 of the Company Secretary, with a view to ensuring that 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. 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 is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning 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 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 executive directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the articles of association.

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 appointment.

Number of Meetings and Directors' Attendance

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 majority of directors, either in person or through other electronic means of communication. The Company will adopt the practice of holding Board meetings regularly for at least 4 times a year at approximately quarterly intervals.

As at year ended 31 December 2011, seven 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 Meetings Attended/Held
Executive Directors	
Mr. ZHANG Shiping	7/7
Ms. ZHENG Shuliang	6/7
Mr. ZHANG Bo	6/7
Mr. QI Xingli	6/7
Non-Executive Directors	
Mr. YANG Congsen	6/7
Mr. ZHANG Jinglei	7/7
Independent Non-Executive Directors	
Mr. XING Jian	6/7
Mr. CHEN Yinghai	6/7
Mr. HAN Benwen	6/7

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 and 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 is responsible to take and keep 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 on 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.

By 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

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 operations of the Group. He is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals. 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
- Remuneration 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 2011 have been reviewed by the Audit Committee.

As at the year ended 31 December 2011, 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 *(Chairman of the Audit Committee)*	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 2011, the Remuneration 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. HAN Benwen *(Chairman of the Remuneration Committee)*	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, and that during the year ended 31 December 2011, the Committee did not hold any meeting. Members of the Committee are as follows:

Name of Directors

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

The Nomination Committee reviews the structure, size and 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 proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2011.

DIRECTORS ' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The Board is responsible for presenting a balanced, 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 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 2011 amounted to RMB3,500,000.

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; for controlling excessive capital expenditure; for maintaining proper accounting records; and for the reliability of financial information used in the operations or for publication. The Group has appointed an external consultant for internal control to review and provide opinions on the Group's internal control for the year ended 31 December 2011. The Group has discussed with such external consultant for internal control in respect of the issues of internal control and therefore the Group's internal control system were improved constantly.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.

SHAREHOLDERS' RIGHTS

The Company is liable to secure 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, resolutions proposed 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. 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:	Room 5108-5109 51/F, The Center 99 Queen's Road Central Hong Kong

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company attaches great importance to communication with shareholders, investors and each of the stakeholders. Since the Company was listed in March 2011, the Management has been maintaining close contact with the investment 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, 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.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF CHINA HONGQIAO GROUP LIMITED
(incorporated in Caymans 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 38 to 84, which comprise the consolidated statement of financial position of the Group as at 31 December 2011, and the consolidated statement of 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, 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 2011, 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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Continuing operations			
Revenue	5	**23,626,031**	15,131,591
Cost of sales		**(15,449,645)**	(9,389,722)
Gross profit		**8,176,386**	5,741,869
Other income and gain and loss	6	**311,960**	210,535
Distribution and selling expenses		**(44,054)**	(19,977)
Administrative expenses		**(167,033)**	(112,038)
Finance costs	7	**(300,819)**	(192,990)
Other expenses		**(22,569)**	(42,815)
Profit before taxation	8	**7,953,871**	5,584,584
Income tax expenses	11	**(2,078,461)**	(1,395,868)
Profit for the year from continuing operations		**5,875,410**	4,188,716
Discontinued operations			
Profit for the year from discontinued operations	12	**–**	31,515
		5,875,410	4,220,231
Profit and total comprehensive income attributable to owners of the Company			
from continuing operations		**5,875,410**	4,164,853
from discontinued operations		**–**	30,885
Profit and total comprehensive income attributable to owners of the Company		**5,875,410**	4,195,738
Profit and total comprehensive income attributable to non-controlling interests			
from continuing operations		**–**	23,863
from discontinued operations		**–**	630
attributable to non-controlling interests		**–**	24,493
		5,875,410	4,220,231
Earnings per share			
From continuing and discontinued operations			
Basic	13	**1.03**	0.84
From continuing operations			
Basic	13	**1.03**	0.83
From discontinued operations			
Basic	13	**–**	0.01

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	15	**16,424,458**	8,111,661
Prepaid lease payments – non-current portion	16	**937,128**	153,129
Deferred tax assets	17	**43,616**	40,231
Deposits paid for acquisition of property, plant and equipment		**1,400,011**	120,314
		18,805,213	8,425,335
Current assets			
Prepaid lease payments – current portion	16	**19,726**	3,015
Inventories	18	**1,908,646**	1,122,100
Trade receivables	19	**1,438**	3,716
Bills receivable	20	**1,312,960**	882,570
Prepayments and other receivables	21	**121,802**	156,741
Restricted bank deposits	22	**14,468**	82,650
Bank balances and cash	22	**7,484,795**	2,669,569
		10,863,835	4,920,361
Current liabilities			
Trade payables	23	**1,216,259**	682,429
Other payables	24	**2,644,583**	1,168,902
Income tax payable		**137,879**	157,974
Bank borrowings – due within one year	25	**3,210,610**	72,850
		7,209,331	2,082,155
Net Current Assets		**3,654,504**	2,838,206
Total Assets less Current Liabilities		**22,459,717**	11,263,541
Capital and Reserves			
Share capital	26	**386,206**	69
Reserves		**18,010,828**	7,302,472
Total Equity		**18,397,034**	7,302,541
Non-current Liabilities			
Bank borrowings – due after one year	25	**3,981,593**	3,961,000
Deferred tax liabilities	17	**81,090**	–
		4,062,683	3,961,000
		22,459,717	11,263,541

The consolidated financial statements on pages 38 to 84 were approved and authorised for issue by the Board of Directors on 9 March 2012 and are signed on its behalf by:

Zhang Bo
Executive Director

Qi Xingli
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company							
	Paid in capital/ Share capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000	**Statutory surplus reserve** RMB'000 (note ii)	**Retained earnings** RMB'000	**Subtotal** RMB'000	**Non-controlling interests** RMB'000	**Total** RMB'000
At 1 January 2010	114,398	–	–	597,792	2,372,351	3,084,541	62,950	3,147,491
Profit and total comprehensive income for the year	–	–	–	–	4,195,738	4,195,738	24,493	4,220,231
Capitalisation of retained earnings	656,758	–	–	–	(656,758)	–	–	–
Issue of shares	1	–	–	–	–	1	–	1
Reorganisation (note 26(b))	(771,088)	–	771,088	–	–	–	–	–
Acquisition of additional interests in a subsidiary (note i)	–	–	22,261	–	–	22,261	(87,443)	(65,182)
Transfer to reserves	–	–	–	430,868	(430,868)	–	–	–
At 31 December 2010	69	–	793,349	1,028,660	5,480,463	7,302,541	–	7,302,541
Profit and total comprehensive income for the year	–	–	–	–	5,875,410	5,875,410	–	5,875,410
Capitalisation of share premium (note 26(d))	328,059	(328,059)	–	–	–	–	–	–
Issue of shares	58,078	5,306,954	–	–	–	5,365,032	–	5,365,032
Transaction costs attributable to issue of shares	–	(145,949)	–	–	–	(145,949)	–	(145,949)
Transfer to reserves	–	–	–	820,824	(820,824)	–	–	–
At 31 December 2011	386,206	4,832,946	793,349	1,849,484	10,535,049	18,397,034	–	18,397,034

Notes:

(i) The amount of RMB22,261,000 credited under capital reserve represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the 2% interest in Shangdong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") being acquired from 山東魏橋創業集團有限公司 ("Chuangye Group") (see Note 35(a) for its relationship with the Group), its then non-controlling shareholder, as set out in Note 1.

(ii) 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 Flow

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
OPERATING ACTIVITIES			
Profit for the year		**5,875,410**	4,220,231
Adjustments for:			
Interest income		**(11,156)**	(8,639)
Income tax expense		**2,078,461**	1,395,868
Finance costs		**300,819**	192,990
Depreciation of property, plant and equipment		**840,736**	598,813
Amortisation of prepaid lease payments		**7,611**	2,268
Gain on disposal of Marine Chemical Business	12	**–**	(6,620)
Gain on disposal of Dyeing Business	12	**–**	(24,895)
Operating cash flows before movements in working capital		**9,091,881**	6,370,016
Increase in inventories		**(786,546)**	(575,723)
(Increase) decrease in receivables, deposits and prepayments		**(393,173)**	675,595
Decrease in payables, deposits received and accrued charges		**(261,232)**	(534,331)
Cash generated from operations		**7,650,930**	5,935,557
Income tax paid		**(2,020,851)**	(1,168,211)
Net cash generated from operating activities		**5,630,079**	4,767,346
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and deposit for acquisition of property, plant and equipment		**(8,169,372)**	(2,715,082)
Addition to prepaid lease payments		**(808,321)**	(123,730)
Acquisition of a subsidiary	29	**–**	(176,013)
Interest received		**11,156**	8,639
Disposal of a subsidiary	30	**–**	514,188
Placement of restricted bank deposits		**(15,527)**	(192,853)
Withdraw of restricted bank deposits		**83,709**	870,849
Net cash used in investing activities		**(8,898,355)**	(1,814,002)

Consolidated Statement of Cash Flow (Continued)

For the year ended 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
FINANCING ACTIVITIES			
Proceeds from issue of shares		**5,365,032**	1
Shares issue expenses paid		**(145,949)**	–
New bank borrowings raised		**4,614,895**	4,334,441
Repayment of bank borrowings		**(1,456,542)**	(1,394,083)
New other borrowings raised		**–**	71,831
Repayment to other borrowings		**–**	(71,831)
Acquisition of additional interests in a subsidiary		**–**	(65,182)
Interest paid		**(293,934)**	(192,990)
Advance from related parties		**–**	4,470,837
Repayment to related parties		**–**	(7,965,744)
Net cash generated from (used in) financing activities		**8,083,502**	(812,720)
Net increase in cash and cash equivalents		**4,815,226**	2,140,624
Cash and cash equivalents at beginning of the year		**2,669,569**	528,945
Cash and cash equivalents at end of the year, represented by bank balances and cash		**7,484,795**	2,669,569

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is China Hongqiao Holdings Limited ("Hongqiao Holdings"). Hongqiao Holdings is ultimately controlled by Mr. Zhang Shiping ("Mr. Zhang"), incorporated in the British Virgin Islands ("BVI"). The registered office of the Company is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands, and the principal place of business of the Company is Huixian One Road, Zouping Economic Development District, Zouping County, Shandong Province, the People's Republic of China ("PRC").

Prior to the reorganisation as described below (the "Reorganisation"), the operations of manufacture and sales of aluminum products and other businesses were carried out by Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") and its subsidiaries. Shandong Hongqiao and its subsidiaries were also engaged in the business of manufacture and sales of dyed fabric and yarn-dyed denim ("Dyeing Business") and manufacture and sales of caustic soda products ("Marine Chemical Business") which were discontinued since 4 January 2010 and 1 January 2010, respectively, and the details of which are explained further in Note 12.

Pursuant to the Reorganisation in March 2010, (1) the Company was incorporated and owned by Hongqiao Holdings; (2) China Hongqiao Investment Limited ("Hongqiao Investment") and Hongqiao Investment (Hong Kong) Limited ("Hongqiao Hong Kong") were also incorporated and became subsidiaries of the Company; and (3) Profit Long Investment Limited ("Profit Long Investment") and 山東魏橋創業集團有限公司("Chuangye Group") transferred their equity interest of 98% and 2% in Shandong Hongqiao to Hongqiao Hong Kong for a consideration of RMB3,193,921,000 and RMB65,182,000, respectively, of which RMB65,182,000 was settled by cash and paid in March 2010 and RMB3,193,921,000 was settled by issuance of 9,900 shares by the Company to its parent Hongqiao Holdings in April 2010. The Company became the holding company of Shandong Hongqiao and its subsidiaries in March 2010. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are prepared as if the Company had been the holding company of Shandong Hongqiao from 1 January 2010 up to the completion of the Reorganisation. The 98% interests in Shandong Hongqiao held by Profit Long Investment, a company controlled by Mr. Zhang through trust arrangements entered into since 2006, whereby Mr. Zhang has nominated two persons to hold the entire equity interests in Profit Long Investment on his behalf, was accounted for as equity attributable to owners of the Company when Shandong Hongqiao was consolidated by the Group using the principle of merger accounting for business combination under common control. The remaining 2% interests in Shandong Hongqiao held by Chuangye Group was presented as non-controlling interests up to the date, when the 2% equity interest of Shandong Hongqiao was transferred to the Group as detailed in the preceding paragraph. Pursuant to certain share transfer arrangements entered into in February 2010, Mr. Zhang has become the legal owner of the entire equity interests in Profit Long Investment.

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

The principal activities of its subsidiaries are set out in Note 38 to the consolidated financial statements.

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

In the current year, the Group has applied, for the first time, the following new and revised Standards and Interpretation ("new and revised IFRSs") issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB which are or have become effective.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IFRS 7 (Amendments)	Disclosures-Transfers of Financial Assets[1]
	Disclosures-Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 July 2012
6 Effective for annual periods beginning on or after 1 January 2014

The directors of the Company anticipate that the application of the above new and revised IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combinations involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

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.

3. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency, i.e. RMB).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each 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.

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.

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 as reported in the consolidated statement of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 and interests 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 profit 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 is recognised in profit or loss, except when it relates 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.

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 and other inventories 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 to sell 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 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Loan 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) 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).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets 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 financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment for loan 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 certain categories of financial asset, such as trade receivables and other 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.

For financial assets 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 financial asset's original effective interest rate.

The carrying amount of the financial asset 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets 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 losses 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.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade payables and other payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

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.

On derecognition of a financial asset, 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.

4. 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. The 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 impairment of inventories

The Group's management assesses periodically whether the inventories have been suffered from any impairment based on estimate on the net realisable value of the inventory. 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 2011, the carrying amount of inventories are approximately RMB1,908,646,000 (2010: RMB1,122,100,000) as disclosed in Note 18.

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 15. 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.

4. 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 2011, 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 2011, the carrying amount of property, plant and equipment are approximately RMB16,424,458,000 (2010: RMB8,111,661,000) as disclosed in Note 15.

5. REVENUE AND SEGMENT INFORMATION

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

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 only revenue analysis by products and does not contain profit information of each product line and 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 IFRS. 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 other than the entity-wide disclosure is presented.

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

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

	2011 **RMB'000**	2010 RMB'000
Revenue from		
Sales of goods		
Aluminum products		
– molten aluminum alloy	**16,972,433**	12,204,082
– aluminum alloy ingots	**5,845,640**	2,183,065
– aluminum alloy casting-rolling plate	**7,361**	–
– aluminum busbars	**102,955**	66,786
Steam supply income	**697,642**	677,658
	23,626,031	15,131,591

All external revenues of the Group are contributable to customers established in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are mainly located in the PRC.

Revenue from customers from continuing operations contributing over 10% of the total revenue of the Group are as follows:

	2011 **RMB'000**	2010 RMB'000
Customer A	**7,903,513**	6,180,228
Customer B	**3,763,358**	3,351,194

6. OTHER INCOME AND GAIN AND LOSS

	2011 RMB'000	2010 RMB'000
Continuing operations		
Interest income	**11,156**	8,639
Net gain on sales of raw materials (Note)	**46,538**	19,889
Revenue from sales of slag of carbon anode blocks	**257,861**	143,257
Foreign exchange (losses) gains, net	**(25,782)**	156
Others	**22,187**	38,594
	311,960	210,535

Note:

The revenues and expenses resulting in the net gain on sales of raw materials are as follows:

	2011 RMB'000	2010 RMB'000
Revenue from sales of raw materials	**57,559**	36,623
Expenses related to sales of raw materials	**(11,021)**	(16,734)
	46,538	19,889

7. FINANCE COSTS

	2011 RMB'000	2010 RMB'000
Continuing operations		
Interest expenses on bank borrowings		
– wholly repayable within five years	**330,281**	198,108
Less: Amount capitalised under construction in progress	**(29,462)**	(5,118)
	300,819	192,990

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5.88% (2010: 6.5%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	2011 RMB'000	2010 RMB'000
Staff cost:		
Directors' emoluments (Note 9)	5,340	5,213
Other staff costs:		
– Wages and salaries	536,089	299,295
– Retirement benefit schemes contributions	16,082	13,201
Total staff costs	557,511	317,709
Auditors' remuneration	3,500	2,070
Depreciation of property, plant and equipment	840,736	598,813
Cost of inventories recognised as an expense	15,362,093	9,297,420
Amortisation of prepaid lease payments	7,611	2,268
Loss on disposal of property, plant and equipment (included in administrative expenses)	–	122
Listing expenses	15,842	42,815

9. DIRECTORS' 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 2011				
Executive directors				
Mr. Zhang	1,500	77	–	1,577
Zheng Shuliang ("Ms. Zheng")	500	52	–	552
Zhang Bo	800	69	5	874
Qi Xingli	700	63	5	768
Sub-total	3,500	261	10	3,771
Non-executive directors				
Yang Congsen	600	64	5	669
Zhang Jinglei	300	–	–	300
Sub-total	900	64	5	969
Independent non-executive directors				
Xing Jian	200	–	–	200
Chen Yinghai	200	–	–	200
Han Benwen	200	–	–	200
Sub-total	600	–	–	600
Total	5,000	325	15	5,340

9. DIRECTORS' 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 2010				
Executive directors				
Mr. Zhang	1,500	33	–	1,533
Ms. Zheng	500	34	–	534
Zhang Bo	800	44	4	848
Qi Xingli	700	37	4	741
Sub-total	3,500	148	8	3,656
Non-executive directors				
Yang Congsen	600	53	4	657
Zhang Jinglei	300	–	–	300
Sub-total	900	53	4	957
Independent non-executive directors				
Xing Jian	200	–	–	200
Chen Yinghai	200	–	–	200
Han Benwen	200	–	–	200
Sub-total	600	–	–	600
Total	5,000	201	12	5,213

As represented by the management of the Company, Ms. Zheng, Mr. Zhang Bo began to receive their emoluments from Shandong Hongqiao since April 2010 and Mr. Zhang began to receive his emolument from Shandong Hongqiao since June 2010. These management personnel received their emoluments from Chuangye Group from 1 January 2010 to the days mentioned above.

10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

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

During both years, 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. None of the directors waived any emoluments during both years.

11. INCOME TAX EXPENSES

	2011 RMB'000	2010 RMB'000
Continuing operations		
The charge comprises:		
Current tax		
PRC enterprise income tax	**2,000,756**	1,423,350
Under provision in prior years	**–**	625
Deferred tax charge (credit) (Note 17)	**77,705**	(28,107)
	2,078,461	1,395,868

The tax charge represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries established in the PRC.

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. The Group is currently subject to withholding tax at 5%.

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

The income tax expense for the year relating to continuing operations can be reconciled to the profit before taxation from continuing operations per the consolidated statements of comprehensive income as follows:

	2011 RMB'000	2010 RMB'000
Profit before taxation from continuing operations	**7,953,871**	5,584,584
Tax at the PRC income tax rate of 25% (2010: 25%)	**1,988,468**	1,396,146
Tax effect of expenses not deductible	**237**	429
Tax effect of tax losses not recognised	**8,666**	1,091
Utilisation of tax losses previously not recognised	**–**	(2,423)
Under provision in respect of prior years	**–**	625
Deferred tax associated with withholding tax on undistributed profits of PRC subsidiaries	**81,090**	–
Tax charge for the year relating to continuing operations	**2,078,461**	1,395,868

12. DISCONTINUED OPERATIONS

The Dyeing Business and Marine Chemical Business are discontinued during the year ended 31 December 2010.

(a) On 28 December 2009, the Company's subsidiary, Shandong Hongqiao entered into a share transfer framework agreement with 山東慧濱棉紡漂染有限公司 ("Huibin Dyeing", a company controlled by Mr. Zhang), Binzhou Marine Chemical Co., Ltd. ("Marine Chemical"), Profit Long Investment and Chuangye Group, to dispose of the entire equity interest of Marine Chemical to Huibin Dyeing. In accordance with the agreement, the power to govern the financial and operating activities of Marine Chemical was passed to Huibin Dyeing by Shandong Hongqiao from 1 January 2010 and the Group has since ceased its control over Marine Chemical and the share transfer agreement was signed subsequently on 25 February 2010 after Profit Long Investment completed its acquisition of the 100% equity interest of Huibin Dyeing, a condition precedent to completion of the transaction. Pursuant to the confirmation letter signed by Shandong Hongqiao, Huibin Dyeing, Marine Chemical, Profit Long Investment and Chuangye Group dated 1 January 2010, all the rights and obligations pertinent to the entire equity interest in Marine Chemical had been assumed by Huibin Dyeing. The Group had recorded a gain of RMB6,620,000 during the year ended 31 December 2010 on the sale of Marine Chemical (see Note 30).

(b) The Company's subsidiary, Shandong Hongqiao, disposed of its Dyeing Business, effective 4 January 2010 to Chuangye Group by exchanging of the assets and liabilities attributable to the Dyeing Business with a fair value of approximately RMB35,420,000 and a cash consideration of approximately RMB1,154,277,000 to be paid by Shandong Hongqiao, for all the property, plant and equipment attributable to the aluminum business of Chuangye Group (excluding the land on which such production lines were located as the acquisition of such leasehold land is effected through separate land purchase agreements as detailed in Note 35(b)(i)) with a fair value of RMB1,189,697,000, which resulted a gain of RMB24,895,000 during the year ended 31 December 2010 on disposal of Dyeing Business. The transaction is accounted for as exchange of assets.

The results of the above discontinued operations in last year is analysed as follows:

	Year ended 31 December 2010		
	Dyeing business RMB'000	Marine chemical business RMB'000	Total RMB'000
Gain on disposal of:			
Dyeing Business	24,895	–	24,895
Marine Chemical Business	–	6,620	6,620
Profit for the year from discontinued operations	24,895	6,620	31,515
Profit for the year attributable to			
Owners of the Company	24,397	6,488	30,885
Non-controlling interests	498	132	630
	24,895	6,620	31,515

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2011 RMB'000	2010 RMB'000
Profit for the year from continuing and discontinued operations attributable to owners of the Company	**5,875,410**	4,195,738
Profit for the year from continuing operations attributable to owners of the Company	**5,875,410**	4,164,853
Profit for the year from discontinued operations attributable to owners of the Company	**–**	30,885

	2011 '000 shares	2010 '000 shares
Weighted average number of shares	**5,684,000**	5,000,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 December 2010 and 2011 has been adjusted for the effect of 4,999,000,000 ordinary shares issued pursuant to the capitalisation issue completed on 24 March 2011 as disclosed in Note 26 to the consolidated financial statements of the annual report.

No diluted earnings per share is presented as the Company did not have potential ordinary shares outstanding during both years.

14. DIVIDENDS

No dividends were paid during both years.

The final dividend of HK$1,883,200,000 (equivalent to RMB1,526,710,000) at HK$32.0 cents per share for the year ended 31 December 2011 (2010: Nil) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. 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 2010	1,813,678	4,377,964	12,505	2,070	370,767	6,576,984
Additions	392,236	923,328	5,941	569	1,627,402	2,949,476
Acquired on acquisition of a subsidiary (Note 29)	–	–	–	29	180,065	180,094
Transfers	327,303	1,533,962	–	–	(1,861,265)	–
Disposals	(7,643)	(107,327)	–	–	–	(114,970)
At 31 December 2010	2,525,574	6,727,927	18,446	2,668	316,969	9,591,584
Additions	37,189	41,142	12,468	853	9,061,881	9,153,533
Transfers	1,641,834	3,844,677	–	–	(5,486,511)	–
At 31 December 2011	**4,204,597**	**10,613,746**	**30,914**	**3,521**	**3,892,339**	**18,745,117**
DEPRECIATION						
At 1 January 2010	197,820	784,098	2,692	590	–	985,200
Provided for the year	195,196	401,780	1,416	421	–	598,813
Eliminated on disposal	(1,869)	(102,221)	–	–	–	(104,090)
At 31 December 2010	391,147	1,083,657	4,108	1,011	–	1,479,923
Provided for the year	214,638	623,096	2,463	539	–	840,736
At 31 December 2011	**605,785**	**1,706,753**	**6,571**	**1,550**	**–**	**2,320,659**
CARRYING AMOUNT						
At 31 December 2011	**3,598,812**	**8,906,993**	**24,343**	**1,971**	**3,892,339**	**16,424,458**
At 31 December 2010	2,134,427	5,644,270	14,338	1,657	316,969	8,111,661

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%-13.57%
Motor vehicles	9.50%-9.60%
Furniture, fixtures and equipment	9.50%-19.20%

16. PREPAID LEASE PAYMENTS

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

	RMB'000
At 1 January 2010	–
Additions	123,730
Acquired on acquisition of a subsidiary (Note 29)	34,682
Released	(2,268)
At 31 December 2010	156,144
Additions	808,321
Released	(7,611)
At 31 December 2011	956,854

	2011 RMB'000	2010 RMB'000
Prepaid lease payments related to land use rights analysed for reporting purposes as:		
Current assets	**19,726**	3,015
Non-current assets	**937,128**	153,129
	956,854	156,144

The amount represents the prepayment of rentals for land use rights in the PRC for a period of 42 to 50 years. The Group has pledged a portion of the land use rights as disclosed in Note 31.

17. DEFERRED TAX ASSETS/LIABILITIES

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

	Excess of accounting depreciation over tax depreciation RMB'000	**Undistributable profits of subsidiary** RMB'000	**Unrealised profit on intra-group sales** RMB'000	**Total** RMB'000
At 1 January 2010	12,124	–	–	12,124
Credit to consolidated statement of comprehensive income	4,642	–	23,465	28,107
At 31 December 2010	16,766	–	23,465	40,231
Credit (charge) to consolidated statement of comprehensive income	4,641	(81,090)	(1,256)	(77,705)
At 31 December 2011	**21,407**	**(81,090)**	**22,209**	**(37,474)**

17. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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

	2011 RMB'000	2010 RMB'000
Deferred tax assets	**43,616**	40,231
Deferred tax liabilities	**(81,090)**	–
	(37,474)	40,231

At 31 December 2011, the Group had unused tax losses of approximately RMB39,028,000 (2010: RMB4,364,000) available to offset against future profits of respective subsidiaries. Included in unrecognised tax losses are losses of RMB39,028,000 (2010: RMB4,364,000) that may be carried forward indefinitely.

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 PRC subsidiaries from 1 January 2008 onward. Deferred taxation was not provided for in the consolidated financial statements of the Group for the year ended 31 December 2010 in respect of undistributed profits of relevant PRC subsidiaries, as the management confirmed that profits generated by the relevant PRC subsidiary in 2008, 2009 and 2010 will not be distributed to its foreign investor in the foreseeable future. During the current year, 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 provided for accordingly in the consolidated financial statements of the Group for the current year 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 PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB9,477,274,000 (2010: RMB5,188,991,000).

18. INVENTORIES

	2011 RMB'000	2010 RMB'000
Raw materials	**787,886**	376,455
Work in process	**1,108,729**	744,762
Finished goods	**12,031**	883
	1,908,646	1,122,100

19. 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 aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the reporting date is as follows:

	2011 **RMB'000**	2010 RMB'000
0 – 90 days	**1,438**	3,716

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

Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired to be of a good credit quality.

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.

Movements in allowance for trade receivables:

	2010 RMB'000
Balance at 1 January 2010	24,371
Decrease through disposal of Dyeing Business	(24,371)
Balance at 31 December 2010 and 31 December 2011	–

The allowance for trade receivable was related to the Dyeing Business. Full provision has been made in respect of individually fully impaired trade receivables which had been in severe financial difficulties.

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 reporting date. Based on the historical experience of the Group, the directors of the Company believe that no further allowance is required.

20. BILLS RECEIVABLE

	2011 **RMB'000**	2010 RMB'000
Bills receivable	**1,312,960**	882,570

At 31 December 2011, bills receivable of approximately RMB1,286,260,000 (2010: RMB869,234,000) were endorsed with recourse to third parties and corresponding trade payables of RMB1,286,260,000 (2010: RMB869,234,000) were included in the consolidated statement of financial position accordingly.

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

	2011 **RMB'000**	2010 RMB'000
0 – 90 days	**700,690**	344,020
91 – 180 days	**612,270**	538,550
	1,312,960	882,570

21. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2011 **RMB'000**	2010 RMB'000
Prepayments to suppliers	**99,212**	58,832
Value added tax receivables	**20,645**	97,191
Other receivables	**1,945**	718
	121,802	156,741

22. RESTRICTED BANK DEPOSITS AND BANK BALANCES

Restricted bank deposits represent the Group's bank deposits pledged to banks to secure certain short term facilities granted to the Group by banks.

The restricted bank deposits carry market interest rate of 0.36% to 0.5% per annum as at 31 December 2011 (2010: 0.36% to 1.98%).

Bank balances and cash at 31 December 2011 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

23. 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:

	2011 **RMB'000**	2010 RMB'000
0 – 180 days	**1,202,549**	681,177
181 – 365 days	**12,597**	499
1 – 2 years	**798**	307
Over 2 years	**315**	446
	1,216,259	682,429

24. OTHER PAYABLES

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

	2011 **RMB'000**	2010 RMB'000
Payables on property, plant and equipment	**1,511,252**	215,743
Retention payables	**650,346**	138,446
Accrued liability related to litigations (Note 36)	**102,260**	102,260
Other payables and accruals	**26,157**	38,742
Advance from customers	**225,881**	457,576
Accrued payroll and welfare	**14,123**	10,990
Other tax payable	**114,564**	205,145
	2,644,583	1,168,902

25. BANK BORROWINGS

Bank borrowings

	2011 RMB'000	2010 RMB'000
Secured bank borrowings	**1,125,703**	89,850
Unsecured bank borrowings	**6,066,500**	3,944,000
	7,192,203	4,033,850
The total borrowings are repayable as follows (Note):		
Within one year	**3,210,610**	72,850
In the second year	**3,369,093**	112,500
In the third year	**75,000**	3,736,000
In the fourth year	**237,500**	75,000
In the fifth year	**300,000**	37,500
	7,192,203	4,033,850
Less: Amount due for settlement within one year and shown under current liabilities	**3,210,610**	72,850
Amount due after one year	**3,981,593**	3,961,000
Total borrowings		
– at fixed rates	**3,100,000**	1,472,850
– at floating rates	**4,092,203**	2,561,000
	7,192,203	4,033,850
Analysis of borrowings by currency:		
– denominated in RMB	**6,058,041**	3,961,000
– denominated in United States Dollar ("US$")	**1,134,162**	72,850
	7,192,203	4,033,850

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements. At the end of 31 December 2011 and 2010, no bank loans have contained a repayment on demand clause.

Fixed interest rate borrowings are charged at the prevailing market rates ranging from 5.58% to 8.11% (2010: 1.78% to 5.73%) per annum as at 31 December 2011.

Interest on borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China, and interest on borrowings denominated in US$ at floating rates are calculated based on London Interbank Offered Rate.

The effective weighted average annual rate for the year ended 31 December 2011 were 6.58% (2010: 5.60%) per annum.

26. SHARE CAPITAL

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

	Notes	Number of shares	Shares capital US$
Authorised			
Ordinary shares of US$1 each			
At date of incorporation	(a)	**50,000**	50,000
Increase on subdivision of shares on 7 June 2010	(c)	**4,950,000**	–
Ordinary shares of US$0.01 each			
At 31 December 2010		**5,000,000**	50,000
Increase on 16 January 2011	(d)	**9,995,000,000**	99,950,000
Ordinary shares of US$0.01 each			
At 31 December 2011		**10,000,000,000**	100,000,000
Issued and fully paid			
Ordinary shares of US$1 each			
At date of incorporation	(a)	**100**	100
Issue of new shares on 13 April 2010	(b)	**9,900**	9,900
Increase on subdivision of shares on 7 June 2010	(c)	**990,000**	–
Ordinary shares of US$0.01 each			
At 31 December 2010		**1,000,000**	10,000
Capitalisation of share premium on 24 March 2011	(d)	**4,999,000,000**	49,990,000
Issue of shares upon listing of the Company's shares on the Stock Exchange on 24 March 2011	(e)	**885,000,000**	8,850,000
Ordinary shares of US$0.01 each			
At 31 December 2011		**5,885,000,000**	58,850,000

26. SHARE CAPITAL (Continued)

	2011 RMB'000	2010 RMB'000
Shown on the consolidated statement of financial position	**386,206**	69

Notes:

(a) On 9 February 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 50,000 shares of US$1 each. On the same date, 100 shares of US$1 each were issued.

(b) As part of the Reorganisation set out in Note 1, the amount payable of RMB3,193,921,000 by the Group to Profit Long Investment for the acquisition of the 98% interest in Shandong Hongqiao was settled on 13 April 2010 by issuance of 9,900 shares by the Company to its parent Hongqiao Holdings.

(c) On 7 June 2010, the par value of the shares of the Company was reduced from US$1 each to US$0.01 each, and the authorised share capital was changed from US$50,000 divided into 50,000 shares of US$1 each to US$50,000 divided into 5,000,000 shares of US$0.01 each. The issued share capital then became 1,000,000 shares of US$0.01 each.

(d) Pursuant to the written resolutions of all shareholders of the Company passed on 16 January 2011, the authorised share capital of the Company was increased from US$50,000 to US$100,000,000 by the creation of an additional 9,995,000,000 shares. A sum of US$49,990,000 standing to the credit of the share premium account of the Company was capitalised and applied in paying up in full at par 4,999,000,000 shares allotment and issued to the shareholders of the Company whose name appeared on the register of members of the Company at the close of business on 24 March 2011 in proportion to their then respective existing shareholdings in the Company and the directors allotted and issued such shares as aforesaid on 24 March 2011.

(e) On 24 March 2011, the Company issued 885,000,000 ordinary shares of US$0.01 each at the price of HK$7.20 per share by way of placing and public offering. On the same date, the Company's shares were listed on the Stock Exchange.

27. 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 2011.

The capital structure of the Group consists of net debt, which comprising the bank borrowings disclosed in Note 25, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 26 and reserves in the consolidated statements of changes in equity.

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 issue of new debt.

28. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 RMB'000	2010 RMB'000
Financial assets		
Loans and receivables	**8,815,606**	3,639,223
Financial liabilities		
Liabilities at amortised cost	**10,712,600**	5,222,460

(b) Market risk

The Group's activities expose it primarily to the foreign currency risk and financial risks of interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Group collects all of the revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB. Certain bank balances and bank and other borrowings are denominated in foreign currencies which expose the Group to 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:

	2011 RMB'000	2010 RMB'000
Assets		
US$		
Bank balances and cash	**20,309**	3,984
Liabilities		
US$		
Bank borrowings	**1,134,162**	72,850

Sensitivity analysis

The following table details the Group's sensitivity to a 5% change in exchange rate of US$ against RMB while all other variables are held constant. 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.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Foreign currency risk management (Continued)

Sensitivity analysis (Continued)

	2011 RMB'000	2010 RMB'000
Increase (decrease) in profit for the year		
if RMB weakens against		
US$	**(41,769)**	(2,582)
if RMB strengthens against		
US$	**41,769**	2,582

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and floating interest rate bank borrowings. The Group currently does not use any derivative contracts to hedge their exposure to interest rate risk. However, management will consider hedging significant interest rate exposure should the need arise.

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

Sensitivity analysis

The sensitivity analyses 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 and cash, the analysis is prepared assuming the amount of liability 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:

	2011 RMB'000	2010 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**6,898**	387
As a result of decrease in interest rate	**(6,898)**	(387)

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.

28. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk

The Group's credit risk is primarily attributable to its trade receivables, bills receivable, other receivables, bank balances and deposits. 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 minimise 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 receivable.

The Group has concentration of credit risk in respect of bills receivable as the Group's bills receivable from the Group's top customer amounted to RMB598,000,000 (2010: RMB511,724,000), and represented 46% (2010: 58%) of the total bills receivable as at 31 December 2011.

The Group has concentration of credit risk in respect of bills receivable as the Group's bills receivable from the Group's top five major customers amounted to RMB1,200,042,000 (2010: RMB772,730,000) and represented 91% (2010: 87%) of the total bills receivable respectively as at 31 December 2011. The credit risk on bills receivable is limited because the Group's significant bills receivable are bank acceptances with various banks of good credit ratings.

The credit risk on liquid funds is limited because such amounts are placed with various banks with good credit ratings. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, 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 bank loans and the management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

28. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management (Continued)

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 outstanding at the end of each reporting period.

	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 2011							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	**6.37**	**448,630**	**1,037,465**	**1,417,232**	**635,104**	**3,538,431**	**3,100,000**
Floating-rate bank borrowings	**7.05**	**1,461,288**	**676,818**	**2,217,966**	**120,420**	**4,476,492**	**4,092,203**
Trade payables	**–**	**1,216,259**	**–**	**–**	**–**	**1,216,259**	**1,216,259**
Other payables	**–**	**1,729,095**	**575,043**	**–**	**–**	**2,304,138**	**2,304,138**
		4,855,272	**2,289,326**	**3,635,198**	**755,524**	**11,535,320**	**10,712,600**
At 31 December 2010							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	5.41	112,358	39,183	78,366	1,491,773	1,721,680	1,472,850
Floating-rate bank borrowings	5.92	75,834	75,834	264,167	2,663,811	3,079,646	2,561,000
Trade payables	–	1,045,906	–	–	–	1,045,906	1,045,906
Other payables	–	113,132	29,572	–	–	142,704	142,704
		1,347,230	144,589	342,533	4,115,584	5,989,936	5,222,460

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.

(e) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

29. ACQUISITION OF A SUBSIDIARY

On 25 March 2010, the Group acquired certain assets through acquisition of a 100% equity interest in Binzhou Zhengtong New Aluminum Profiles Co., Ltd. ("Zhengtong"), from Ms. Zheng and other independent third parties for an aggregate cash consideration of RMB205 million.

As at the date of acquisition, Zhengtong has not yet commenced operation and its production facility was still under construction. As it did not constitute a business under IFRS 3 Business Combinations and the acquisition was in substance an acquisition of the net assets of Zhengtong, the above transaction was accounted for as acquisition of assets and liabilities. The carrying amounts of net assets acquired are as follows:

	RMB'000
Net assets acquired	
Property, plant and equipment	180,094
Deposits paid for acquisition of property, plant and equipment	6,397
Prepaid lease payments	34,682
Bills receivable	28,546
Prepayments and other receivables	621
Amounts due from related parties	176,346
Cash and cash equivalents	28,987
Trade payables	(56,991)
Other payables	(180,507)
Amounts due to related parties	(13,175)
Net assets acquired	205,000
Total consideration satisfied by cash	205,000
Net cash outflow arising from acquisition	
Cash consideration paid	(205,000)
Cash and cash equivalents acquired	28,987
	(176,013)

30. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2010, the Group disposed of 100% interest in Marine Chemical for a consideration of RMB600 million. The disposal was effected in order to concentrate and expand the Group's business on aluminum products.

Details of net assets disposed of and gain on disposal are as follows:

	At 1 January 2010 RMB'000
Net assets disposed of	
Property, plant and equipment	1,202,864
Prepaid lease payments	50,212
Inventories	67,419
Trade receivables	8,033
Bills receivable	33,316
Prepayments and other receivables	22,466
Amounts due from related parties	148,325
Restricted bank deposits	27,506
Bank balances and cash	85,812
Trade payables	(133,737)
Bills payable	(50,000)
Other payables	(33,226)
Amounts due to related parties	(162,384)
Income tax payable	(171)
Bank borrowings	(663,000)
Deferred income	(10,055)
	593,380
Gain on disposal of a subsidiary	6,620
Consideration satisfied by cash	600,000
Net cash inflow arising on disposal	
Cash received	600,000
Cash and cash equivalents disposed of	(85,812)
	514,188

31. 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:

	2011 RMB'000	2010 RMB'000
Land use rights	32,713	33,177
Restricted bank deposits	–	74,000
	32,713	107,177

In addition to the land use rights and restricted bank deposits, the Company uses its shares in Hongqiao Investment and Hongqiao Hong Kong as collateral for a new facility of principal amount to US$180,000,000 (equivalent to RMB1,134,162,000) granted by facility agents as at 31 December 2011.

32. OPERATING LEASES

The Group as lessee

	2011 RMB'000	2010 RMB'000
Minimum lease payments paid under operating leases for premises	3,565	–

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:

	2011 RMB'000	2010 RMB'000
Within one year	3,447	–
In the second to fifth year inclusive	1,436	–
	4,883	–

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.

33. COMMITMENTS

	2011 RMB'000	2010 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	5,869,031	178,733
– authorised but not contracted for	8,541,440	2,650,614
	14,410,471	2,829,347

34. MAJOR NON-CASH TRANSACTIONS

In last year, the major non-cash transactions were as follows:

(a) The Company's subsidiary, Shandong Hongqiao, disposed of its Dyeing Business, effective 4 January 2010 to Chuangye Group by exchanging of the assets and liabilities attributable to the Dyeing Business and a cash consideration of approximately RMB1,154,277,000 to be paid by Shandong Hongqiao, for all the property, plant and equipment attributable to the aluminum business of Chuangye Group as disclosed in Note 12(a).

(b) As part of the Reorganisation set out in Note 1, Hongqiao Hong Kong acquired 100% interest in Shandong Hongqiao in March 2010 and the Company became the holding company of the Group. The amount payable of RMB3,193,921,000 by the Group to its then shareholders, Profit Long Investment, for the acquisition of the 98% interest in Shandong Hongqiao was settled in April 2010 by issuance of 9,900 shares by the Company to its parent Hongqiao Holdings.

(c) Pursuant to the agency agreement entered into by Chuangye Group and Shandong Weiqiao Aluminum Power Co., Ltd ("Aluminum & Power"), a subsidiary of the Company, on 25 May 2006, Aluminum & Power agreed to operate the business of alumina owned by Chuangye Group (the "Alumina Production Business") on behalf of Chuangye Group for the period from 26 May 2006 to 31 December 2009. On 30 June 2010, Aluminum & Power, a subsidiary of the Company, Chuangye Group and 濱州高新鋁電股份有限公司 (Binzhou Gaoxin Aluminum & Power Joint Stock Co., Ltd.) ("Gaoxin Aluminum & Power") (formerly known as 鄒平高新熱電有限公司) entered into a three-party agreement. Pursuant to the terms of the agreement, trade payables due to three third parties contracted for Alumina Production Business of RMB57,825,000 and an amount due from Chuangye Group of RMB116,136,000 as at that date were transferred to Gaoxin Aluminum & Power as prepayment for purchase of raw materials of RMB58,311,000. Aluminum & Power obtained the written approvals from the relevant creditors for the above transfer at the same date.

35. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name	Relationship
Chuangye Group	Note ii
濱州魏橋鋁業科技有限公司 ("Binzhou Weiqiao Aluminum Technology Co., Ltd.") ("Aluminum Technology") (note i)	Controlled by Chuangye Group
鄒平魏橋再生資源利用有限公司 ("Zouping Weiqiao Recycling Resources Co., Ltd") (note i)	Controlled by Chuangye Group
Marine Chemical	Note iv
Ms. Zheng	Spouse of Mr. Zhang
Zhengtong	Note iii

Notes:

(i) The English names of these 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 during the two years ended 31 December 2011.

(iii) Zhengtong was significantly influenced by Ms. Zheng up to March 2010 when the entire equity interest of Zhengtong was acquired by the Group (see Note 29).

(iv) Marine Chemical was controlled by 山東慧濱棉紡漂染有限公司 ("Huibin Dyeing") since 1 January 2010 (see Note 12).

35. RELATED PARTY TRANSACTIONS (Continued)

(b) Except as disclosed in elsewhere in the consolidated financial statements, the Group has entered into the following significant transactions with its related parties during the two years ended 31 December 2011:

	2011 **RMB'000**	2010 RMB'000
Purchases of carbon anode blocks (Note ii)		
– Aluminum Technology	**333,744**	309,867
Sales of slag of carbon anode blocks (Note ii)		
– Aluminum Technology	**23,999**	23,461
Sales of accessories (Note iii)		
– Chuangye Group	**–**	1
– Aluminum Technology	**–**	70
– Marine Chemical	**–**	1
– Zouping Weiqiao Recycling Resources Co., Ltd	**–**	49
	–	121
Sales of aluminum alloy ingots (Note ii)		
– Chuangye Group	**–**	1,928
Sales of aluminum busbars (Note ii)		
– Chuangye Group	**–**	10,029
Purchases of molten aluminum (Note iii)		
– Chuangye Group	**–**	97,530
Purchases of materials (Note iii)		
– Chuangye Group	**–**	599
– Aluminum Technology	**–**	7
– Marine Chemical	**–**	2
	–	608
Purchase of cryolite (Note iii)		
– Chuangye Group	**–**	6,256
Purchase of land use rights (Note iii)		
– Chuangye Group (Note i)	**–**	50,091
Rental expense (Note iii)		
– Chuangye Group	**–**	1,558

35. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

Notes:

(i) Pursuant to a lease entered into between Chuangye Group and the Group, Chuangye Group agreed to lease to the Group certain land for the Group's production facilities with effect from 1 July 2005. Pursuant to certain land purchase agreements entered into by Chuangye Group and the Group dated 11 January 2010, the Group acquired the land use rights for the land leased from Chuangye Group; and the land on which the production plants of the aluminum business of Chuangye Group acquired by the Group as disclosed in Note 12(b) were located, for an aggregate cash consideration of RMB50,091,000, which was paid in January 2010.

(ii) The transactions were conducted at prices with reference to the then prevailing market prices.

(iii) The transactions were conducted at prices agreed by both parties.

(c) Compensation of key management personnel

	2011 RMB'000	2010 RMB'000
Short term employee benefit	**5,684**	5,392
Retirement benefits scheme contributions	**28**	24
	5,712	5,416

Certain key management personnel's emoluments are borne by Chuangye Group up to the days as detailed in Note 9.

36. CONTINGENT LIABILITY

(a) In June 2010, Aluminum & Power has filed two separate claims against Wuhan Boiler Company Limited ("Wuhan Boiler", a boiler supplier of the Group), seeking (i) refund of deposits made by Aluminum & Power of RMB59 million for the acquisition of eight sets of boilers pursuant to two boiler purchase agreements entered into in 2007 (the "2007 Boiler Purchase Agreements"); and (ii) compensation of RMB10.9 million, totaling an aggregate claim of approximately RMB69.9 million, as Wuhan Boiler has not delivered boilers within the time frame as specified in the 2007 Boiler Purchase Agreements.

On 4 March 2011 and 18 August 2011, Wuhan Boiler initiated two separate legal proceeding against Aluminum & Power at Shandong Higher People's Court relating to the 2007 Boiler Purchase Agreements, seeking (i) for the agreement dated 6 February 2007, forfeiture of the deposit made by Aluminum & Power in the amount of RMB38.7 million, the unpaid price of goods of approximately RMB49.96 million and damages of approximately RMB61.3 million; (ii) for the agreement dated 26 June 2007, forfeiture of the deposit made by Aluminum & Power in the amount of RMB10 million, and damages of approximately RMB67.4 million; and (iii) relevant litigation expenses. Shandong Higher People's Court has not reached a final judgment up to the date of issuance of these consolidated financial statements.

36. CONTINGENT LIABILITY (Continued)

(a) (Continued)

At present, the litigations are still in progress. The Group has accrued in full the remaining contract sum in relation to the 2007 Boiler Purchase Agreement including unpaid price of goods in an aggregate amount of RMB49.96 million (the "Accrued Liabilities") in relation to the litigations brought by Wuhan Boiler. In the opinion of the directors of the Company, the claims made by Wuhan Boiler are without merit and they will defend vigorously against such claims. After seeking legal advice, the directors of the Company are of the opinion that it is not probable that the claims will result in payment by the Group and accordingly, no provision has been made in the consolidated financial statements for the claim brought by Wuhan Boiler.

On 29 February 2012, Mr. Zhang, the controlling shareholder of the Company, has agreed in writing to indemnify any losses that may be incurred by Aluminum & Power arising from the claims mentioned above in relation to the 2007 Boiler Purchase Agreement brought by Wuhan Boiler.

(b) On 11 July 2003, Aluminum & Power and Wuhan Boiler entered into a boiler supply agreement, pursuant to which Wuhan Boiler agreed to provide Aluminum & Power with eight sets of boilers for approximately RMB424 million (the "2003 Boiler Purchase Agreement"). This boiler supply agreement was amended for several times with respect to its total price, delivery schedule and payment term in 2005 and 2006. As both parties had disputes regarding the interpretation of the terms with respect to the total price and quality deposits, on 15 September 2010, Wuhan Boiler initiated legal proceedings against Aluminum & Power at Shandong Higher People's Court, seeking for payment of the remaining contract sum and refund of quality deposit of approximately RMB52.3 million, damages of approximately RMB83.5 million, an overdue fine of approximately RMB57.5 million and the relevant litigation expenses. Shandong Higher People's Court has not reached a final judgment up to the date of issuance of these consolidated financial statements..

On 16 February 2006 and 24 May 2006, Aluminum & Power and Wuhan Boiler entered into two boiler supply agreements (the "2006 Boiler Purchase Agreements"). Pursuant to the terms of each of the 2006 Boiler Purchase Agreements, Wuhan Boiler agreed to provide Aluminum & Power with eight sets of boilers. The total contract amount of each of the 2006 Boiler Purchase Agreements was approximately RMB104 million. On 23 March 2010, Aluminum & Power, Gaoxin Aluminum & Power and Wuhan Boiler entered into a contract for assigning the rights and obligations under both 2006 Boiler Purchase Agreements from Aluminum & Power to Gaoxin Aluminum & Power. Pursuant to the terms of this contract, Gaoxin Aluminum & Power has the primary responsibility to fulfill obligations under the 2006 Boiler Purchase Agreements and Wuhan Boiler had the right to seek performance by Aluminum & Power under the 2006 Boiler Purchase Agreements if Gaoxin Aluminum & Power refuses or fails to do so. As Wuhan Boiler and Gaoxin Aluminum & Power had disputes regarding the interpretation of the terms of the 2006 Boiler Purchase Agreements including the total price under these agreements, on 8 November 2010 and 17 November 2010, Wuhan Boiler respectively initiated legal proceedings against Gaoxin Aluminum & Power and Aluminum & Power at Shandong Higher People's Court, seeking, (i) for the agreement dated 16 February 2006, damages of approximately RMB51.51 million; (ii) for the agreement dated 24 May 2006, payment of remaining contract sum RMB32.7 million, payment of terminated loss of RMB13 million, damages of approximately RMB49.2 million, and overdue fine of approximately RMB47.6 million; and (iii) relevant litigation expenses. Shandong Higher People's Court has not reached a final judgment up to the date of issuance of these consolidated financial statements.

36. CONTINGENT LIABILITY (Continued)

(b) (Continued)

At present, the litigations are still in progress. The Group has accrued in full the remaining contract sum in relation to the 2003 Boiler Purchase Agreement including the quality deposits in an aggregate amount of RMB52.3 million (the “Accrued Liabilities”) in relation to the litigations brought by Wuhan Boiler. In the opinion of the directors of the Company, the other claims made by Wuhan Boiler in addition to the Accrued Liabilities including damages, penalty interests and litigation costs are without merit and they will defend vigorously against such claims. After seeking legal advice, the directors of the Company are of the opinion that it is not probable that the claims will result in payment by the Group in excess of the Accrued Liabilities and accordingly, no additional provision has been made in the consolidated financial statements for the claim brought by Wuhan Boiler.

On 16 January 2011, Mr. Zhang, the controlling shareholder of the Company, has agreed in writing to indemnify any losses that may be incurred by Aluminum & Power arising from the claims mentioned above in relation to the 2003 Boiler Purchase Agreement brought by Wuhan Boiler. In addition, on the same date, Chuangye Group has also agreed in writing to indemnify any losses that may be incurred by Aluminum & Power arising from the claims mentioned above in relations to the 2006 Boiler Purchase Agreement brought by Wuhan Boiler.

37. 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.

38. PARTICULAR OF SUBSIDIARIES

The particulars of subsidiaries of the Company as at 31 December 2011 and 2010 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 2011 %	31 December 2010 %	Principal activity
Hongqiao Investment	BVI 5 February 2010	US$200	**100**	100	Investment holding
Hongqiao Hong Kong	Hong Kong 18 February 2010	HK$10,100	**100**	100	Investment holding
山東宏橋新型材料有限公司 (Shandong Hongqiao) (note i)	PRC 27 July 1994	US$903,120,000	**100**	100	Manufacture and sales of aluminum products (note ii)
山東魏橋鋁電有限公司 (Shandong Weiqiao Aluminum Power Co., Ltd.) (note i)	PRC 25 December 2002	RMB5,000,000,000	**100**	100	Manufacture and sales of aluminum products
濱州市政通新型鋁材有限公司 (Zhengtong) (notes i and iii)	PRC 20 May 2008	RMB200,000,000	**100**	100	Manufacture and sales of aluminum products
惠民縣滙宏新材料有限公司 (Huimin Huihong New Aluminum Profiles Co., Ltd.) (notes i and iv)	PRC 6 December 2011	RMB200,000,000	**100**	–	Manufacture and sales of aluminum products

Notes:

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

(ii) Shandong Hongqiao was engaged in the Dyeing Business, such business was discontinued (see Note 12). Since 4 January 2010, it is engaged in the business of manufacture and sales of aluminum products.

(iii) 100% equity interest of Zhengtong was acquired in March 2010 (see Note 29).

(iv) Newly established during the year ended 31 December 2011.

39. SUBSEQUENT EVENTS

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

	2011 **RMB'000**	2010 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**532**	–
Investment in subsidiaries	**5,187,781**	3,195,812
Amount due from a subsidiary	**3,451,637**	64,325
	8,639,950	3,260,137
CURRENT ASSETS		
Amount due from a subsidiary	**823,054**	–
Bank balances and cash	**25,092**	3,422
	848,146	3,422
CURRENT LIABILITIES		
Bank borrowings – due within one year	**835,611**	–
Other payable	**2,514**	694
	838,125	694
NET CURRENT ASSETS	**10,021**	2,728
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,649,971**	3,262,865
CAPITAL AND RESERVES		
Share capital	**386,206**	69
Reserves	**7,990,672**	3,189,946
TOTAL EQUITY	**8,376,878**	3,190,015
NON-CURRENT LIABILITIES		
Bank borrowings – due after one year	**273,093**	72,850
	8,649,971	3,262,865