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

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

Annual Report
2015

Contents

Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December (RMB'000)				
	2011	2012	2013	2014	**2015**
Revenue	23,626,031	24,804,742	29,404,462	36,085,800	**44,109,934**
Gross profit	8,176,386	8,003,448	8,142,802	9,296,468	**8,951,443**
Gross profit margin (%)	34.6	32.3	27.7	25.8	**20.3**
Profit before tax	7,953,871	7,400,553	7,379,395	7,327,733	**5,258,992**
Net profit attributable to owners of the parent	5,875,410	5,452,592	5,592,675	5,313,632	**3,648,791**
Net profit margin (%)	24.9	22.0	19.0	14.7	**8.2**
Basic earnings per share (RMB)	1.03	0.93	0.95	0.89	**0.58**

Assets and liabilities

	As at 31 December (RMB'000)				
	2011	2012	2013	2014	**2015**
Total assets	29,669,048	44,376,717	65,178,536	83,427,737	**106,438,336**
Equity	18,397,034	22,337,897	26,882,545	32,434,014	**36,236,937**
Total liabilities	11,272,014	22,038,820	38,295,991	50,993,723	**70,201,399**
Return on equity[note] (%)	45.7	26.8	22.7	17.9	**10.5**
Current ratio (%)	151	123	102	89	**78**
Accounts receivable turnover (days)	1	1	1	3	**6**
Inventory turnover (days)	36	55	114	145	**121**
Accounts payable turnover (days)	22	25	27	30	**42**

Note: Calculated based on average equity.

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen

CHIEF FINANCIAL OFFICER

Zhang Ruilian

COMPANY SECRETARY

Zhang Yuexia

AUDIT COMMITTEE

Han Benwen *(Chairman)*
Xing Jian
Chen Yinghai

NOMINATION COMMITTEE

Xing Jian *(Chairman)*
Zhang Shiping
Han Benwen

REMUNERATION COMMITTEE

Han Benwen *(Chairman)*
Zhang Shiping
Xing Jian

AUTHORISED REPRESENTATIVES

Zhang Bo
Zhang Yuexia

PLACE OF BUSINESS IN HONG KONG

Suite 5108
The Center
99th 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

Floor 4, Willow House
Cricket Square, P O Box 2804
Grand Cayman KY1-1112
Cayman Islands

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

INTERNATIONAL AUDITORS

Ernst & Young

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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

COMPANY WEBSITE

www.hongqiaochina.com

STOCK CODE

1378

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 31 DECEMBER 2015

6,368,215,810

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

Bell Pottinger
Tel: (852) 3478 3802
Fax: (852) 3478 3880
Email: chinahongqiao@bellpottinger.com
Address: 15th Floor, Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong

FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
11 March 2016

ANNUAL GENERAL MEETING

9 May 2016

EXPECTED DATE OF FINAL DIVIDEND PAYMENT

28 June 2016

Chairman's Statement

Dear Shareholders,

It is my pleasure to present on behalf of the Board (the "Board") of China Hongqiao Group Limited the audited consolidated annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 (the "Year" or the "Period under Review").

DRIVING TOWARDS A BRIGHT FUTURE

During the Year, the global primary aluminum market continued to face a shortage of supply. The significant price fall in the fourth quarter last year in China has slowed the growth of production volume, relieving the condition of excess supply. During the Year, aluminum prices have weakened considerably despite an initial surge earlier in the year. The average three-month aluminum futures price on the London Metal Exchange ("LME") decreased by 11.1% as compared with last year; the average three-month aluminum futures price on the Shanghai Futures Exchange ("SHFE") decreased by 10.3% as compared with last year.

During the Period under Review, China Hongqiao achieved major breakthroughs in various aspects by adhering to its prudent development strategy. As the industry leader, the Group continued to promote the advancement of technological innovations, energy conservation, as well as the industrial models of "Integration of Aluminum, Electricity and Grid" and "Integration of Upstream and Downstream Businesses", to further consolidate its industrial chain advantage. As for overseas business, the Group's first ship of bauxite from the mining project in Guinea, Africa, successfully arrived the domestic operation base of China Hongqiao, realizing the Group's global resource strategy and the country's "Maritime Silk Road" initiative.

RESULTS AND PERFORMANCE

As of 31 December 2015, the Group's aggregate designed annual production capacity of aluminum products was approximately 5,186,000 tons (31 December 2014: approximately 4,026,000 tons), representing an increase of approximately 28.8% as compared to the corresponding period of 2014. The Group ranked as the largest aluminum product manufacturer in the world (source of ranking: Antaike).

During the Period under Review, the Group's revenue amounted to approximately RMB44,109,934,000, representing a year-on-year increase of approximately 22.2%. Gross profit amounted to approximately RMB8,951,443,000, representing a year-on-year decrease of approximately 3.7%. Net profit attributed to owners of the parent amounted to approximately RMB3,648,791,000, representing a year-on-year decrease of approximately 31.3%. Basic earnings per share were approximately RMB0.58 (2014: approximately RMB0.89). The Board recommended the payment of a final dividend of HK15.0 cents per share for the year 2015 (2014: HK28.0 cents).

EMBRACING NEW OPPORTUNITIES

Given the slow recovery of the global economy and downward pressure of China's economic growth, the market is unlikely to turn around within a short period of time. The price of aluminum products is expected to stay in the low range. Such adverse market condition presents both challenges and opportunities to the Group, and the Group sees more opportunities than challenges. More importantly, the fierce market competition will come down to survival of the fittest. Striving to turn challenges into opportunities and pressure into driving force, the Group is determined to capitalise on the opportunities and accelerate its future development in this competitive market.

In the downstream industry, the PRC government's "One Belt One Road" strategy and vision for the Eurasian region have prompted China's rising international export of railway equipment. At the same time, premium vehicles has posted immense opportunities for aluminum products. All these have reinforced the global influence and competency of Chinese aluminum manufacturers. With further development of aluminum alloy and aluminum fabrication products, aluminum products have become increasingly widely used in downstream sectors such as transportation, machinery and electric power engineering, bringing tremendous potential to the market.

CONSOLIDATING THE GROUP'S COMPETITIVE EDGES

In view of the demand growth of aluminum products in China, China Hongqiao has continued to strengthen its industry cluster advantage. To solidify its long-term development, the Group has also achieved in technological innovations, energy conservation and bauxite supply.

With respect to the supply of bauxite, while actively expanding the supply channels in countries including the Commonwealth of Australia, the Republic of India and the Federation of Malaysia, the Group also achieved great success in the bauxite mining project in Guinea. The Group has established China's first industrial chain that comprises overseas mining and domestic factories by utlilizing multiple logistics solutions. The completion of the industrial chain will ensure the Group's steady raw material supply and effective cost control. These will strengthen the Group's core competitiveness, significantly reduce the raw material prices, and minimise potential risks against supply and demand fluctuations.

Regarding the supply of alumina, the Group has made substantial progress in the construction of its alumina production base in Indonesia. This alumina production line with designed annual capacity of one million tons will be put into operation in the first half of 2016. By that time, the Group's alumina self efficiency will be further enhanced.

For technological innovation, the Group successfully operated the world's first full series 600KA aluminum production line in the first half of 2015. The production line is characterised by its high unit productivity, low investment cost, reduced emission and outstanding production efficiency, making China Hongqiao a world leader in technical and economic standards.

Independent pricing right is essential to the Group's sustainable development. After consultation with downstream customers of aluminum processing, starting from 1 December 2015, China Hongqiao has launched its own pricing mechanism. The new pricing is made on the basis of mutual recognition and market trends. Compared to the original pricing based on the Yangtse River Spot Price, the new mechanism can minimise adverse impact caused by the volatility of futures prices, further enhance the Group's bargaining power, and improve the pricing system of the aluminum industry in China. In line with the development of a more reasonable, standardised and objective market, this milestone also demonstrates the Group's leadership and competitiveness.

PROGRESSING INTO THE FUTURE

Looking ahead, the Group will adhere to its strategy of prudent development by leveraging its industry cluster advantage brought by the "Integration of Aluminum, Electricity and Grid" and the "Integration of Upstream and Downstream Businesses". It will also strengthen its cost advantage and economies of scale, so as to consolidate its industry leading position. In addition, the Group will increase investments in technological innovation and environmental protection, and strive for further achievements in raw material supply, technology upgrade and energy conservation.

The Group is dedicated to enhancing its core competitiveness, paying close attention to policy directions to seize market opportunities and coping with future challenges. The Group is also committed to driving steady growth and sustainable development, and creating stable returns for its shareholders.

APPRECIATION

On behalf of the Board, I would like to thank the Group's management team and all employees for their untiring efforts and dedication, and the trust and support from all the shareholders, investors and business partners.

Zhang Shiping
Chairman of the Board

11 March 2016

INDUSTRY REVIEW

During the Year, the growth of global aluminum supply was still very substantial. However, aluminum price remained weak, affected by pressures from both macro risks and fundamentals. In 2015, the average price of three-month aluminum futures on the LME decreased by 11.1% as compared with last year. During the Year, the average prices of SHFE spot market and three-month futures were RMB12,279 per ton (including value-added tax) and RMB12,300 per ton (including value-added tax), representing a decrease of 9.7% and 10.3% compared with 2014, respectively.

Antaike's data showed that global primary aluminum production reached 57,200,000 tons in 2015, representing an increase of 5.9% as compared with last year. As for consumption, global primary aluminum consumption reached 57,800,000 tons, representing an increase of 5.4% compared with last year. The growth in supply and demand of primary aluminum was higher than that of the global market. In China, the volume of primary aluminum production in 2015 was 31,000,000 tons, representing an increase of 9.9% compared with last year. The growth decreased by 2.5 percentage points. The consumption of primary aluminum in China amounted to 30,600,000 tons, representing an increase of 9.1% as compared with last year. The growth rate decreased by 3.1 percentage points.

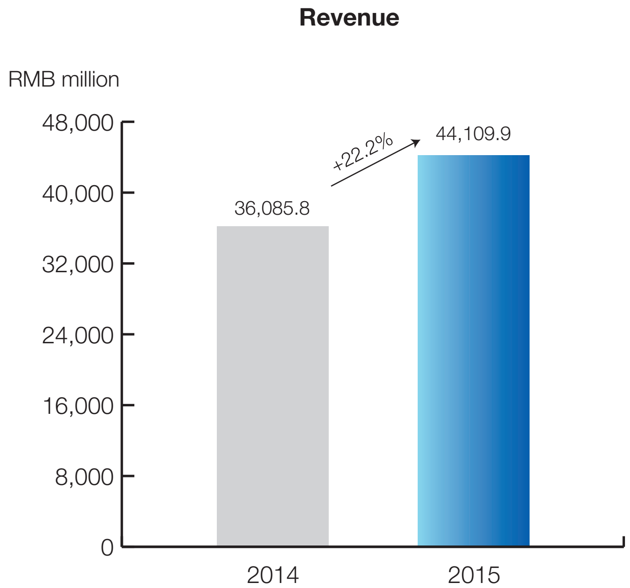
BUSINESS REVIEW

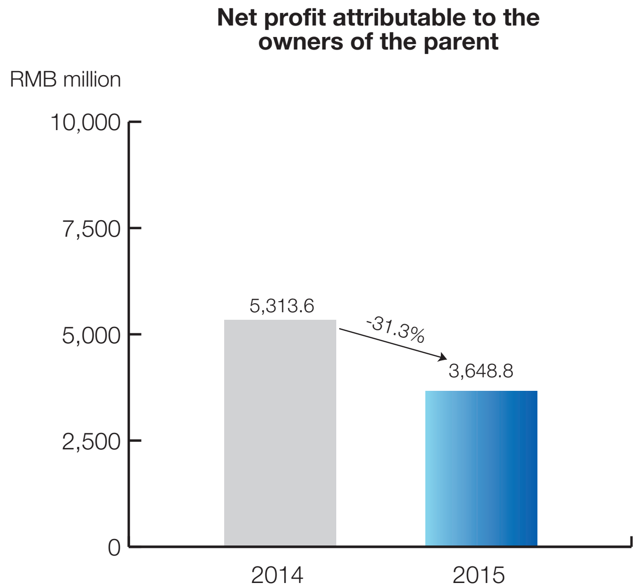
During the Year, the Group continued to advance its overseas raw materials procurement strategy, strengthen its unique industry cluster model and further extend its industrial chain in production capacity, enhancing cost advantage and core competitiveness to reinforce its leading position.

As of 31 December 2015, the Group's aggregate designed annual production capacity of aluminum products reached approximately 5,186,000 tons (as of 31 December 2014: approximately 4,026,000 tons), representing an increase of approximately 28.8% as compared with the corresponding period.

Driven by the increase of downstream market demand and the Group's production capacity, the Group's aggregate production of aluminum products in 2015 amounted to approximately 4,421,000 tons, representing a year-on-year increase of approximately 40.0%. Production volume of aluminum fabrication products reached approximately 196,000 tons, representing an increase of approximately 4.6% as compared with the corresponding period.

The Group's revenue and net profit attributed to the owners of the parent for the year ended 31 December 2015, with comparison figures for the year ended 31 December 2014, are as follows:





For the year ended 31 December 2015, the Group recorded revenue of approximately RMB44,109,934,000, representing a year-on-year growth of approximately 22.2%, mainly due to an increase in the Group's production and sales volume of aluminum products following a further increase in the Group's production capacity of aluminum products. During the Year, sales volume for the Group's aluminum products and aluminum fabrication products reached in total approximately 4,281,847 tons, representing an increase of approximately 36.8% when compared to approximately 3,129,302 tons of the previous year. Affected by the price movement in China's aluminum market, the Group's average selling price of aluminum products decreased by approximately 10.4% from approximately RMB11,488 per ton (excluding value-added tax) in 2014 to approximately RMB10,289 per ton (excluding value-added tax) in the year.

For the year ended 31 December 2015, net profit attributable to the owners of the parent amounted to approximately RMB3,648,791,000, representing a year-on-year decrease of approximately 31.3%. The profit decreased due to the decrease of average selling price of aluminum products, compared with the corresponding period of the previous year, loss in foreign exchange and increase in finance costs and administrative expenses, although there was an increase in the production and sales volumes of the Group's aluminum products in the Year.

The table below is a comparison of the breakdown of revenue by product for the years ended 31 December 2015 and 2014.

Revenue breakdown by product

	For the year ended 31 December			
	2015		2014	
Products	**Revenue**	**Percentage of total revenue**	Revenue	Percentage of total revenue
	RMB'000	**%**	RMB'000	%
Molten aluminum alloy	**40,291,596**	**91.4**	31,009,199	85.9
Aluminum alloy ingots	**1,731,393**	**3.9**	2,759,627	7.6
Aluminum busbars	**–**	**–**	8,054	0.1
Aluminum fabrication	**2,031,011**	**4.6**	2,173,397	6.0
Steam	**55,934**	**0.1**	135,523	0.4
Total	**44,109,934**	**100.0**	36,085,800	100.0

As for revenue, the Group's revenue derived from aluminum products was approximately RMB44,054,000,000, accounting for approximately 99.9% of total revenue for the year ended 31 December 2015, among which the percentage share of aluminum alloy ingots in the revenue decreased while the percentage share of molten aluminum alloy in the revenue increased, which was mainly resulted from an increase in the sales volume of molten aluminum driven by the increased demand within the aluminum industry cluster located in the Group's production base. Revenue derived from sales of steam was approximately RMB55,934,000, accounting for approximately 0.1% of the total revenue. The decrease in the revenue derived from sales of steam was mainly resulted from the increase of the Group's usage of the steam during the process of the production of the major raw materials, thus the steam available for sale to third parties decreased accordingly.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin from its major products for the year ended 31 December 2015 and 2014.

	For the year ended 31 December					
	2015			2014		
Products	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Aluminum products	44,054,000	8,924,029	20.3	35,950,277	9,234,867	25.7
Steam	55,934	27,414	49.0	135,523	61,601	45.5
Total	44,109,934	8,951,443	20.3	36,085,800	9,296,468	25.8

For the year ended 31 December 2015, the Group strengthened the control on production cost, which led to unit price of aluminum products decreased as compared to the same period of last year. However, due to the unit sales price of aluminum products during the period decreased, such that the overall gross profit margin of the Group's products was approximately 20.3%, representing a decrease of approximately 5.5 percentage points as compared to approximately 25.8% for the corresponding period of last year. The Group expects that with the gradual increase in the self-supplied power ratio and self supply of alumina, there will be a positive effect on the Group's overall gross profit margin.

Selling and distribution expenses

The Group's selling and distribution expenses is approximately RMB88,449,000, decreased approximately by 6.4% for the year ended 31 December 2015 as compared to approximately RMB94,520,000 for the corresponding period of the previous year. This was mainly attributable to the increase in the percentage of sales volume of the Group's molten aluminum alloy products during the year but the unit price for transportation of molten aluminum alloy products was lower than other aluminum products, resulting in a decrease in the overall transportation costs.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2015 amounted to approximately RMB878,696,000, representing an increase of approximately 43.8% when compared to approximately RMB610,884,000 for the corresponding period of the previous year. Such an increase was mainly due to the fact that, on the one hand, there was an increase in employee headcounts and their remuneration for the expansion of the Group's production scale; on the other hand, the Group's building of new plant resulted in the increase in local tax payables, the increase of property taxes and the increase in bank commission charges.

Finance costs

For the year ended 31 December 2015, finance costs of the Group were approximately RMB3,217,096,000, representing an increase of approximately 68.8% when compared to approximately RMB1,905,377,000 for the corresponding period of the previous year. This was mainly due to an increase in exchange loss during the year and an increase in the total debts during the Year when compared to the corresponding period of the previous year, resulting in an increase in interest expenses charged to the Group.

Liquidity and financial resources

As at 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB8,488,534,000, representing an increase of approximately 10.6% when compared to that of approximately RMB7,676,335,000 as at 31 December 2014.

For the year ended 31 December 2015, the Group had a net cash outflow from investing activities of approximately RMB17,396,212,000, a net cash inflow from financing activities of approximately RMB10,472,858,000, and a net cash inflow from operating activities of approximately RMB7,769,747,000.

For the year ended 31 December 2015, the capital expenditure of the Group amounted to approximately RMB17,119,993,000, mainly used for the expansion of its aluminum production capacity for aluminum products and the construction of advanced processing facilities, ancillary captive power facilities and alumina production base in Indonesia.

As at 31 December 2015, the Group had a capital commitment of approximately RMB17,763,163,000, representing projects in respect of the capital expenditure for purchase of property, plant and equipment, which are primarily used for the production capacity expansion for aluminum products, construction of high-end aluminum processing facilities, ancillary captive power facilities, alumina production base in Indonesia.

For the year ended 31 December 2015, the Group's average turnover days of trade receivables were approximately 6 days, representing an increase of approximately 3 days when compared to approximately 3 days for the corresponding period in the previous year. This was mainly because in order to strengthen the business relations with premium clients of aluminum products, the Group granted provisional credit periods to some premium clients for its aluminum products, so that the Group's trade receivables turnover days increased from the corresponding period of last year but still remained at a low level in the industry.

For the year ended 31 December 2015, the Group's turnover days of inventory was approximately 121 days, representing a decrease of approximately 24 days when compared to approximately 145 days for the corresponding period of the previous year, which was mainly due to the decreased cost of inventory of the Group resulting from the low level prices of major raw materials, such as coal and anode carbon block, although the production capacity of aluminum products of the Group increased.

Contingent liability

As of 31 December 2015, the Group has no contingent liability.

Income tax

The Group's income tax for 2015 amounted to approximately RMB1,638,754,000, decreased by approximately 19.1% when compared to approximately RMB2,026,366,000 for the corresponding period of the previous year, which was mainly attributable to the decrease of the Group's profit before taxation.

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

Net profit attributable to owners of the parent was approximately RMB3,648,791,000 for the year ended 31 December 2015, representing a decrease of approximately 31.3% when compared to approximately RMB5,313,632,000 for the corresponding period in the previous year.

Basic earnings per share of the Company in 2015 were approximately RMB0.58 (2014: approximately RMB0.89).

Capital structure

The Group had built an appropriate liquidity risk management framework to secure the short-term, medium-term and long-term funding and to satisfy its liquidity risk management requirements. As of 31 December 2015, cash and cash equivalents of the Group amounted to approximately RMB8,488,534,000 (31 December 2014: approximately RMB7,676,335,000), which were mainly deposited with commercial banks. As at 31 December 2015, the total liabilities of the Group amounted to approximately RMB70,201,399,000 (as at 31 December 2014: approximately RMB50,993,723,000). Gearing ratio (total liabilities to total assets) was approximately 66.0% (as at 31 December 2014: approximately 61.1%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 31 December 2015, approximately 29.0% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 71.0% were subject to floating interest rates.

The Group used part of its restricted bank deposits, notes receivables, equipment and prepaid lease payments as collateral for its bank borrowings to partially finance its daily operations and project construction. As of 31 December 2015, the Group's secured bank borrowings has been fully settled (as at 31 December 2014: approximately RMB594,969,000).

The Group aims to maintain a balance between the continuity and flexibility of funds by employing bank loans. As of 31 December 2015, approximately 51.0% of the Group's bank borrowings will become due within one year.

As at 31 December 2015, the current liabilities of the Group were more than the current assets by approximately RMB9,378,340,000. In 2016, the Group will continue to develop other financing channels by increasing part of the medium-term and long-term borrowings and adjusting the structure of long-term and short-term debts. In addition, the Group will properly control the capital expenditure, to sustain its existing production capacity, control its production costs, improve the profitability and improve its cash flow position, so as to maintain the adequate liquidity of the Group's capital. Having considered the fact that the Group did not encounter any difficulty in renewal the short-term bank borrowings of the Group upon maturity, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

As at 31 December 2015, the Group's debts were mainly denominated in Renminbi and US Dollars, among which, Renminbi debts and US Dollar debts accounted for approximately 65.5% and approximately 34.5% of the total debts, respectively. Cash and cash equivalents were mainly held in Renminbi and US Dollars, among which approximately 97.5% of the cash and cash equivalents was held in Renminbi and approximately 1.8% of the cash and cash equivalents was held in US Dollars.

Employee and remuneration policy

As at 31 December 2015, the Group had a total of 65,076 employees, increased by 18,866 employees when compared to that of the corresponding period of the previous year. The main reason for the increase was that for the purposes of the expansion of the Group's production capacity and adaptation to production needs during the Period under Review, the Group recruited additional staff and enriched our reserve of human resources simultaneously. During the Year, the total staff costs amounted to approximately RMB3,021,403,000, representing approximately 6.8% of the Group's revenue. The remuneration packages of the Group's employees include salary and various types of allowances.

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

Foreign exchange risk

The Group collected most of its revenue in Renminbi and funded most of its capital expenditures in Renminbi. Due to the importation of bauxite and production equipment, and as certain bank balances, borrowings and senior notes are denominated in foreign currencies, the Group are exposed to certain risk of foreign exchange. As of 31 December 2015, the Group's bank balances denominated in foreign currencies were approximately RMB214,842,000, and liabilities denominated in foreign currencies were approximately RMB19,146,805,000. For the year ended 31 December 2015, the Group recognised foreign exchange loss of approximately RMB999,615,000.

For the year ended 31 December 2015, the Group did not use other financial instruments for exchange rate hedging purpose.

Events after the period

On 15 January 2016, Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") completed the issuance of 2016 domestic corporate bonds (first tranche), and the offering size of corporate bonds was RMB3,000,000,000, among which, the offering size of corporate bonds with term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year) was RMB2,000,000,000, carrying interest of 4.10% per annum; the offering size of 5-year corporate bonds was RMB1,000,000,000, carrying interest of 4.88% per annum.

On 28 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (second tranche), the offering size of corporate bonds was RMB1,800,000,000, for a term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year), carrying interest of 4.50% per annum.

On 25 February 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (third tranche), the offering size of corporate bonds was RMB1,200,000,000, for a term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year), carrying interest of 4.04% per annum.

On 18 February 2016, the Company completed the rights issue of 891,550,213 rights shares at the subscription price of HK$4.31 per rights share on the basis of 7 rights shares for every 50 shares held on the record date. For details of the rights issue, please refer to the announcements of the Company dated 8 January 2016, 22 January 2016 and 17 February 2016, respectively. The net proceeds from the rights issue is approximately HK$3,829,102,000, among which, 80% will be applied as the working capital of the Group, and the remaining 20% of the net proceeds will be used to repay certain loans of the Group.

On 11 March 2016, Shandong Weiqiao Alumina & Power Co., Ltd. ("Weiqiao Alumina & Power") completed the issuance of 2016 domestic corporate bonds (first tranche), the offering size of corporate bonds was RMB4,000,000,000, among which, the offering size of corporate bonds with term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year) was RMB3,500,000,000, carrying interest of 4.27% per annum; the offering size of 5-year corporate bonds was RMB500,000,000, carrying interest of 4.83% per annum.

On 24 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (second tranche), the offering size of corporate bonds was RMB2,000,000,000, for a term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year), carrying interest of 4.20% per annum.

Major Risks and Uncertainties

There are certain risks and uncertainties that the Group face during its operation. Among which, there are certain risks that the Group cannot control. Such risks and uncertainties including factors such as economy conditions of both inside and outside China, credit policy and foreign exchange policies, and changes related to laws and regulations and enforcement policies, and the price, supply and demand of raw materials and aluminum products.

With the growth and expansion of the Group's operations, the potential risks to the Group's business increase as well. In order to identify, assess and control the risks that may create impediments to the Group's success, the Group have implemented a risk management system that covers each material aspect of its operations, including financial security, production, and compliance. As the Group's risk management is a systematic project, each of its departments is responsible for identifying and evaluating the risks relating to their area of operations. The Group's audit committee is responsible for overseeing and assessing the Group's risk management policy and they supervise the performance of risk management system.

Environmental Protection Policy

The Group has established a dedicated environmental protection department. The environmental protection department is responsible for overseeing the environmental protection of the Group as a whole, such as formulating environmental-related guidelines and policies for the Group in order to ensure compliance with the applicable environmental laws, regulations and standards, monitoring the latest development in the environmental-related laws, regulations and standards in the PRC in order to ensure the internal environmental protection guidelines and polices of the Group is up-to-date, monitoring the compliance with the applicable environmental laws, regulations and standards by regularly inspecting the production facilities and the pollutant discharge facilities of the Group, handling the application for environmental protection approvals and the inspection and any other necessary filings for the construction projects of the Group, liaising with the governmental environment protection authorities in the PRC as and when required and formulating contingency plan for any environmental-related emergency and handling such emergency.

During the power generation process, a power plant discharges sewage, emits air pollutants, such as sulphur dioxide, and produces noise. The Group has installed dedusting and desulphurization equipment in its power station to reduce the emission of air pollutants. The Group has also installed water recycling and treatment equipment to minimize the impact of sewage on the environment. The Group's power station has obtained the required approvals from and has satisfied the emission requirements provided by local governments. In addition, the Group has installed sound insulation equipment to reduce the impact of the noise produced in the daily operations of the power station.

During the manufacturing process of aluminum products, the Group factory discharges sewage, emits air pollutants and produces noise. The Group has installed dedusting equipment for the manufacturing facilities to minimize industrial waste. In addition, the Group recycle and reuse aluminum scraps generated during the production process. The Group has improved the energy-efficiency by applying new production techniques and new technologies and optimizing its production process. In addition, the Group has installed sound insulation equipment to reduce the impact of the noise produced in the daily operations of its manufacturing bases.

In compliance with laws and regulations

The Company is established in Cayman Islands, most of the Group's operations are performed in domestic China, while the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The operation of the Group have to in compliance with laws and regulations of China and Hong Kong. For the year ended 31 December 2015 and until the date of the annual report, the Group has in compliance with all the laws and regulations in China and Hong Kong in all material respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

(i) Employees

Human resources are one of the Group's greatest assets and the Group regards the personal development of its employees as highly important. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides pre-employment and on-the-job training and development opportunities to our staff members. The training programs cover areas such as managerial skills, sales and production, customer services, quality control, working conduct and training of other areas relevant to the industry. We will consider carefully about the precious feedbacks in relation to enhancing working efficiency and harmonious working atmosphere. Besides, the Group will provide competitive remunerations for employees. The Group will also grant extra bonus to employees according to their performance, as a recognition and award for employees who have contributed to the Group's growth and development.

(ii) Suppliers

The Group has developed long-standing and good relationships with the Group's vendors and taken great care to ensure that they can share our commitment to product quality. The Group carefully select the Group's suppliers and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness. The Group also require suppliers to comply with our anti-bribery policies.

(iii) Customers

The Group has strengthened relationships with our existing customers while cultivating relationships with potential customers, the Group has established long-term co-operation relationships with many customers. We visit customers' office to contact with customers and so as to keep contact with them. We have also established sales and marketing teams covering Shangdong Provice, Northeastern, Southern, Eastern and Northern China, where our customers are located.

Future Prospect

Future prospect of the Group set out in "Progressing into the Future" in section Chairman's Statement on page 8 of this annual report.

DIRECTORS

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

Name	Age	Position
ZHANG Shiping	69	Chairman and executive Director
ZHENG Shuliang	69	Vice chairman and executive Director
ZHANG Bo	46	Chief executive officer and executive Director
YANG Congsen	46	Non-executive Director
ZHANG Jinglei	39	Non-executive Director
XING Jian	66	Independent non-executive Director
CHEN Yinghai	56	Independent non-executive Director
HAN Benwen	65	Independent non-executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 69, was appointed the chairman and an executive Director of our Company on 16 January 2011. He is the founder of our Group and joined Weiqiao Alumina & Power in December 2002 as a director. He has ten years' experience in aluminum industry since the commencement of aluminum business in 2006. He is responsible for the overall strategic planning of our Group. He graduated from Anhui College of Finance and Trading (安徽財貿學院) and obtained a diploma in cotton testing in December 1991. He is recognised as a qualified senior economist by the Shandong Economic Professional and Technical Title Senior Evaluating Committee (山東省經濟專業職務高級評審委員會) in 1989. Mr. Zhang Shiping has been the director of Shandong Hongqiao since July 1994. He held the positions of general manager of Shandong Weiqiao Chuanye Group Company Limited (山東魏橋創業集團有限公司) ("Chuanye Group") (including its predecessor) from March 1996 to April 1998, the chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) ("Weiqiao Textile") (including its predecessor) from May 1998 to October 2000, a director of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) ("Binzhou Industrial Park") from November 2001 to May 2010 and chairman of Binzhou Weiqiao Aluminum Technology Co., Ltd. (濱州魏橋鋁業科技有限公司) ("Aluminum Technology") from December 2002 to September 2007. He is currently the chairman of Chuangye Group, a Non-Executive Director of Weiqiao Textile (stock code: 2698.HK), Chairman of Shandong Weiqiao Investment Holding Limited (山東魏橋投資控股有限公司) (formerly named as Zouping Supply and Marketing Investment Co., Ltd (鄒平供銷投資有限公司)), Party Secretary of Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社), chairman of China Hongqiao Holdings Limited (中國宏橋控股有限公司) ("Hongqiao Holdings") and chairman of Weiqiao Pioneering (Hong Kong) Import & Export Company Limited. He was a deputy to the 9th, 10th and 12th National People's Congress and was selected by the State Council as "National Model Worker in 1995". In 2016, he was awarded as "Top Ten Economic Figures of China in 2015". 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 69, was appointed the vice chairman and an executive Director of our Company on 16 January 2011. She joined our Group in July 2009 and has been a director and vice chairman of Shandong Hongqiao. She held the positions of the section chief, director of metering division of raw materials purchase department and deputy director of raw materials supply department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Chuangye Group from June 1999 to June 2001. She is the wife of Mr. Zhang Shiping, the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen.

Mr. Zhang Bo (張波), aged 46, was appointed an executive Director and chief executive officer of our Company on 16 January 2011. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and obtained a bachelor's degree in economics in August 1996. He also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He joined our Group in 2006 and has been the general manager and the chairman of the board of directors of Weiqiao Alumina & Power since November 2006. Mr. Zhang Bo has 9 years' experience in aluminum industry. He is familiar with the aluminum industry and has been equipped with the expertise in the aluminum industry. He is responsible for overseeing our Group's general operation, for our Group. He has more than 17 years of management experience. He had also been the deputy general manager of Chuangye Group from April 1998 to February 1999, general manager, executive director, chairman of Weiqiao Textile (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010 and the chairman and general manager of Binzhou Industrial Park from November 2001 to May 2010. He is currently a director of Chuangye Group, a director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) ("Hongqiao Trading") since April 2012 and a director of Hongqiao Investment (Hong Kong) Limited since January 2015. He is a deputy to the People's Congress of Shandong Province, vice president of China Non-ferrous Metals Industry Association since March 2015 and was selected by the State Council as "National Model Worker" in 2010. Mr. Zhang Shiping is his father and Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 46, was appointed a non-executive Director of our Company on 16 January 2011. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. Mr. Yang obtained a master's degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He joined our Group in January 2007 and has over 15 years' management experiences. He was responsible for the production and operation of the self-owned power plants of our Group and was also the deputy general manager of Weiqiao Alumina & Power prior to the listing of our Company in 2011. He held the positions of the network administrator of human resources division of Chuangye Group (including its predecessor) from October 1997 to December 1999, head of thermal power plant of Chuangye Group from December 1999 to October 2003, and deputy general manager of Chuangye Group from January 2005 to June 2006. He is currently a director of Chuangye Group. He is the son-in-law of Mr. Zhang Shiping and Ms. Zheng Shuliang and the brother-in-law of Mr. Zhang Bo.

Mr. Zhang Jinglei (張敬雷), aged 39, was appointed a non-executive Director of our Company on 16 January 2011. He joined our Group in January 2011. He graduated from Xi'an Engineering College (西安工程學院) and obtained the junior college diploma in proximate analysis in July 1997. He joined Weiqiao Textile (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile (including its predecessor) from September 1998 to September 2000. He worked at the securities office, production technology section and the securities department of Weiqiao Textile from October 2000. He is currently an executive director and company secretary of Weiqiao Textile (Stock Code: 2698.HK).

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 66, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) and obtained a university diploma in economics and management in December 1995. He held the positions of deputy secretary and secretary of Weiqiao Town of Zouping County from August 1982 to October 1985, deputy mayor of Zouping County from October 1985 to February 1987, deputy secretary and county mayor of Gaoqing County from February 1987 to January 1994, director and party secretary of Audit Bureau of Zibo City of Shandong Province from July 1994 to March 1999, deputy commissioner and party secretary of Special Commissioner Office of National Auditing Administration in Jinan from April 1999 to January 2001, deputy director of Head Office Service Bureau of National Auditing Administration from January 2001 to May 2002, director of Building Materials Auditing Bureau of National Auditing Administration from May 2002 to August 2008 and auditor of Social Insurance Auditing Bureau of National Auditing Administration from August 2008 to June 2009.

Mr. Chen Yinghai (陳英海), aged 56, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from the School of Textile Science and Technology of Beijing Union University (北京聯合大學紡織工程學院) majoring in wool spinning and weaving and obtained the bachelor degree in engineering in July 1987. He held the position of the deputy section head of China Non-cotton Yarns & Fabrics Import & Export Co. (中紡化纖毛麻進出口公司) from December 1990 to April 1991, employer of Chinatex Industry Co., Ltd (中紡實業有限公司) from May 1991 to November 1994, general manager of Chinatex Singapore Trading Co., Ltd (中紡新加坡貿易有限公司) from December 1994 to November 1997, general manager of Chinatex Cotton Yarns and Fabrics Import & Export Corp. (中紡紗布進出口公司) from March 1998 to December 2000, director of representative office of Chinatex in Shanghai (中國紡織品進出口總公司) from March 2003 to May 2004. He is currently an executive director of RFH Equities Co., Ltd (融豐行投資有限公司) since October 2001.

Mr. Han Benwen (韓本文), aged 65, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognised by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. Mr. Han worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) (formerly known as Zouping Jianxin Certified Public Accountants Corporation) as an accountant from December 1999 to February 2007. He is currently working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

SENIOR MANAGEMENT

Ms. Zhang Ruilian (張瑞蓮), aged 38, is the vice president and the chief financial officer of our Company. She joined our Group in June 2006 and has over 15 years' accounting experience. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She held the positions of the manager of audit department of Chuangye Group from December 2005 to June 2006. She is currently the manager of accounting department (since June 2006) and the director (since December 2014) of Weiqiao Alumina & Power, a manager of accounting department of Shandong Hongqiao and a director of Hongqiao Trading since April 2012.

Mr. Deng Wenqiang (鄧文強), aged 44, is the vice president of our Company. He graduated from Kunming University of Science and Technology (昆明理工大學) and obtained a bachelor's degree in non-ferrous metal metallurgy in July 1995 and is a qualified engineer. Mr. Deng Wenqiang joined our Group in January 2003. He is responsible for the production, research and development of aluminum products of our Group. He previously held the positions of workshop director, vice factory director and factory director of Weiqiao Alumina & Power from January 2003 to June 2006. He is currently the deputy general manager of Weiqiao Alumina & Power and deputy general manager of Shandong Hongqiao, the executive director and manager of Huimin County Huihong New Aluminum Profiles Co., Ltd.(惠民縣滙宏新材料有限公司) and executive director and manager of Binzhou Beihai Huihong New Aluminum Profiles Co., Ltd.(濱州北海匯宏新材料有限公司). In 2000, he was awarded the first prize for his quality control achievements by Shandong Province Metallurgical Industry Corporation. In 2005, he was recognised as the Advanced Individual of Science and Technology Work by Shandong Province Metallurgical Industry Corporation. He was elected as the representative of the 15th People's Congress of Zouping County and the 9th People's Congress of Binzhou Municipality.

COMPANY SECRETARY

Ms. Zhang Yuexia (張月霞), aged 40, was appointed the secretary of our Company on 16 January 2011. She graduated from Binzhou Normal Specialised Postsecondary College (濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She has over 14 years' accounting experience. She held the positions of the manager and section chief of accounting department of Chuangye Group from December 2001 to July 2009 and the deputy manager of the securities department of Weiqiao Textile from March 2008 to January 2010. She is currently the director of Hongqiao Trading since April 2012. Ms. Zhang Yuexia had not served any position in our Group prior to 16 January 2011.

The Directors of the Company present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

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

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2015 and the financial position of the Group as at 31 December 2015 are set out on pages 47 to 49 in the audited consolidated financial statements of this annual report.

The Board proposed the payment of a final dividend of HK15.0 cents per share for the year ended 31 December 2015. The proposed final dividends, subject to the approval of the shareholders at the annual general meeting to be held on 9 May 2015 (the "2015 Annual General Meeting"), will be paid on 28 June 2016 to the shareholders whose names appear on the register of members of the Company on 10 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Tuesday, 3 May 2016 to Monday, 9 May 2016 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the 2015 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, 29 April 2016. 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, 6 June 2016 to Friday, 10 June 2016 (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, 3 June 2016. 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 2011, 2012, 2013 and from the audited consolidated financial statements of the Group for the years ended 31 December 2014 and 2015 on pages 47 to 49 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	23,626,031	24,804,742	29,404,462	36,085,800	**44,109,934**
Cost of sales	(15,449,645)	(16,801,294)	(21,261,660)	(26,789,332)	**(35,158,491)**
Gross profit	8,176,386	8,003,448	8,142,802	9,296,468	**8,951,443**
Other income and gains	311,960	422,439	988,158	739,020	**744,676**
Selling and distribution expense	(44,054)	(58,667)	(60,128)	(94,520)	**(88,449)**
Administrative expenses	(167,033)	(306,068)	(440,171)	(610,884)	**(878,696)**
Other expenses	(22,569)	(20,121)	(55,662)	(79,940)	**(42,670)**
Finance costs	(300,819)	(642,731)	(1,359,200)	(1,905,377)	**(3,217,096)**
Changes in the fair value of derivative	–	2,253	163,596	(17,034)	**(209,932)**
Share of loss of associates	–	–	–	–	**(284)**
Profit before tax	7,953,871	7,400,553	7,379,395	7,327,733	**5,258,992**
Income tax expense	(2,078,461)	(1,947,961)	(1,792,946)	(2,026,366)	**(1,638,754)**
Profit for the year	5,875,410	5,452,592	5,586,449	5,301,367	**3,620,238**
Profit for the year attributable to:					
Owners of the parent	5,875,410	5,452,592	5,592,675	5,313,632	**3,648,791**
Non-controlling interests	–	–	(6,226)	(12,265)	**(28,553)**

Assets and liabilities

	As at 31 December				
	2011	2012	2013	2014	**2015**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	29,669,048	44,376,717	65,178,536	83,427,737	**106,438,336**
Total liabilities	11,272,014	22,038,820	38,295,991	50,993,723	**70,201,399**

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2015 are set out in Note 13 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2015 are set out in Note 25, 26, 27 and 28 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 2015 and as at that date are set out in Note 31 to the consolidated financial statements. The Company does not have any share option scheme.

PRE-EMPTIVE RIGHTS

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

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2015 and as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2015 and up to the date of this report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares or debentures of the Company or any other associated corporations, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the shares or debentures of the Company or any other associated corporations or had exercised any such right in the year.

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 year ended 31 December 2015 and up to the date of this report.

CONVERTIBLE BONDS

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

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

According to the announcement of the Company dated 3 July 2015 in relation to completion of redemption of convertible bonds due 2017, there are no outstanding convertible bonds and all convertible bonds have been converted into conversion shares as at the redemption date. Such conversion shares were issued and allotted pursuant to the general mandate granted by the shareholders to the directors at the annual general meeting of the Company held on 19 May 2015. The proceeds from issuance of convertible bonds by the Group has been used up in 2012 and entirely used for the improvement of aluminum products capacity and the setting up of captive power facilities of the Group.

CORPORATE BONDS OF SHANDONG HONGQIAO

On 12 September 2013, the Company's subsidiary, Shandong Hongqiao, obtained the "Approval for the Issue of 2013 Corporate Bonds by Shandong Hongqiao New Material Co., Ltd. (Fa Gai Cai Jin (2013) No. 1654)" （《關於山東宏橋新新型材料有限公司發行2013年公司債券核准的批復》）from National Development and Reform Commission, approving Shandong Hongqiao to issue the corporate bonds of no more than RMB2,300,000,000 in the PRC.

On 3 March 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (first tranche), the offering size of corporate bonds was RMB1,200,000,000, for a term of 5+2-year (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the fifth year), carrying interest of 8.69% per annum.

On 21 August 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (second tranche), the offering size of corporate bonds was RMB1,100,000,000, for a term of 3+2+2-year (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third and fifth year), carrying interest of 7.45% per annum.

Please refer to the announcements of the Company dated 13 September 2013, 28 February 2014 and 21 August 2014 for details of corporate bonds of Shandong Hongqiao.

CORPORATE BONDS OF WEIQIAO ALUMINA & POWER

On 8 October 2015, the Company's subsidiary, Weiqiao Alumina & Power received the "Approval for the Issue of Corporate Bonds by Shandong Weiqiao Alumina & Power Co., Ltd. (Fa Gai Cai Jin [2015] No. 2249)" (《關於山東魏橋鋁電有限公司發行公司債券核准的批覆》) from the National Development and Reform Commission approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB1,000,000,000 in the PRC. On 26 October 2015, Weiqiao Alumina & Power completed the issuance of 2015 corporate bonds, with an offering size of RMB1,000,000,000, for a term of 4+3-year (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the fourth year), with an interest of 5.26% per annum.

GUARANTEED NOTES

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

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

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserve available for distribution to shareholders comprises the retained profits and special reserve of totally RMB 3,872,283,000 (31 December 2014: RMB 4,389,764,000). With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account which can be authorised for this purpose in accordance with the Companies Law of Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2015, sales to the Group's five largest customers accounted for 64.6% of the Group's total sales for the year ended 31 December 2015, and sales to its largest customer accounted for 35.4% of the Group's total sales for the year ended 31 December 2015.

During the year ended 31 December 2015, purchases from the Group's five largest suppliers accounted for 39.9% of the Group's total purchases for the year ended 31 December 2015, and purchases from the Group's largest supplier accounted for 25.1% of the Group's total purchases for the year ended 31 December 2015.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENTS OF DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than one month's notice in writing served by either the Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association. None of the Directors proposed for re-election at the 2015 Annual General Meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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

Executive Directors:

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

Non-Executive Directors:

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors:

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

DIRECTORS AND SENIOR MANAGEMENT

The biographies of each of the Directors and senior management are set out on page 19 to page 22 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 2015 and up to the date of this report.

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

As at 31 December 2015, 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 Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong) 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	78.51
Ms. ZHENG Shuliang[(2)]	Interest of spouse	5,000,000,000	78.51
Prosperity Eastern Limited[(3)]	Trustee	5,000,000,000	78.51
Hongqiao Holdings	Beneficial owner	5,000,000,000	78.51

Notes:

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

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

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

Save as disclosed above, as at 31 December 2015, no other person had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

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

As at 31 December 2015, the Directors and chief executive had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules, were as follows:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping[(1)]	Interest of a controlled corporation	5,000,000,000	78.51
Ms. ZHENG Shuliang[(2)]	Interest of spouse	5,000,000,000	78.51
Mr. ZHANG Bo[(3)]	Beneficial Owner	8,870,000	0.14

Notes:

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

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

(3) Mr. ZHANG Bo is the son of Mr. ZHANG Shiping and Ms. ZHENG Shuliang.

Save as disclosed above, as at 31 December 2015, none of the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 had or were deemed or taken to have an interest or short position in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or subsisted during the year ended 31 December 2015.

CONNECTED TRANSACTIONS

The following related party transactions disclosed in Note 39 to the consolidated financial statements constituted continuing connected transactions under the Listing Rules, and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules. Save as disclosed in this paragraph, no other related party transactions set out in Note 39 to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules.

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

(i) Terms of the Agreement

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

(ii) Pricing

The pricing of purchase of carbon anode blocks from Aluminum Technology by the Group and the supply of slag of carbon anode blocks the 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 departments; or

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

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

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

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

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

During the Year, the purchase of carbon anode blocks from Aluminum Technology amounted to approximately RMB244,292,000 which was below the 2015 total annual transaction cap of RMB582,445,000. The sales of slag of carbon anode blocks to Aluminum Technology amounted to approximately RMB14,847,000, which was below the 2015 total annual transaction cap of RMB55,909,000.

Jinsha Water Supply supply water to the Group for production use

(i) Terms of the Agreement

Binzhou City Zhanhua District Huihong Aluminum Profiles Co., Ltd. ("Zhanhua Huihong"), the Company's indirectly wholly-owned subsidiary, and Zhanhua Jinsha Water Supply Co., Ltd. (" Jinsha Water Supply") entered into the production water supply agreement on 29 June 2015 for a term ending on 31 December 2017, pursuant to which Jinsha Water Supply agreed to supply water to Zhanhua Huihong for production use. For details of the agreement, please refer to the announcement of the Company dated 29 June 2015. As at the date of this annual report, Jinsha Water Supply is owned as to 42.00% by Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company. Jinsha Water Supply supplies stable and timely water supply to the Group, the close location of Jinsha Water Supply to the Group makes it convenient and efficient for water supply, and is favorable to the existing business development and the future expansion capacity of the Group.

(ii) *Pricing*

The pricing for the purchase of water from Jinsha Water Supply by Zhanhua Huihong for its production will be approximately RMB1.75 per ton (excluding the value-added tax of 3%), which was determined with reference to the price charged by Jinsha Water Supply to other independent third parties for the supply of water on normal commercial terms in its ordinary and usual course of business. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the production water supply agreement.

The details of the above connected transaction was disclosed in the announcement of the Company issued on 29 June 2015.

During the Year, the purchase of water for production use under the production water supply agreement from Jinsha Water supply amounted to approximately RMB5,676,000, which was below the 2015 total transaction cap of approximately RMB15,000,000.

Binbei Aluminum supply steam to Binzhou Industrial Park for its production use.

(i) *Terms of the Agreement*

The Company's indirectly wholly-owned subsidiary, Binzhou Municipal Binbei New Material Co., Limited ("Binbei Aluminum") and Binzhou Industrial Park entered into the steam supply agreement on 3 July 2015 for a term ending on 31 December 2017, pursuant to which Binbei Aluminum agreed to supply steam to Binzhou Industrial Park for its production use. For details of the agreement, please refer to the announcement of the Company dated 3 July 2015. As at the date of this annual report, Binzhou Industrial Park is owned as to 62.93% by Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company. Entering into the steam supply agreement will allow Binbei Aluminum to generate additional revenue from the sales of steam and better utilise the steam produced during the power generation process.

(ii) *Pricing*

The pricing for steam will be RMB170 per ton (incluing the value-added tax of 13%). The price for steam supplied by Binbei Aluminum to Binzhou Industrial Park was determined with reference to the price at which comparable types of relevant products are supplied by Binbei Aluminum to other independent third parties on normal commercial terms in its ordinary and usual course of business in Binzhou, Shandong Province, the PRC.

The details of the above connected transaction was disclosed in the announcement of the Company issued on 3 July 2015.

During the year, the sales of steam under the steam supply agreement to Binzhou Industrial Park amounted to approximately RMB13,592,000, which was below the 2015 total transaction cap of approximately RMB44,130,000.

Independent Non-executive Directors and Auditor's Confirmation

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

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

(ii) on normal commercial terms; and

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

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

(i) the above continuing connected transactions have not been approved by the Board;

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

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

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

PENSION SCHEME

Details of the pension scheme of the Group are set out in Note 2.4 and Note 7 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 2015 and up to the date of this report.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

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

For the year ended 31 December 2015, the Company was in compliance with the mandatory code provisions of the CG Code.

SUFFICIENCY OF PUBLIC FLOATING

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

DEED OF NON-COMPETITION

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

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with the Code of Best Practices for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. An Audit Committee meeting was held on 11 March 2016 to review the consolidated financial statements of the Group for the year ended 31 December 2015. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2015 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

BUSINESS REVIEW

Business review of the Group during the year set out in Management Discussion and Analysis of the annual report pages 9 to 18.

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu resigned as the auditors of the Company with effect from 12 June 2015 and Ernst & Young was appointed to act as the new auditors of the Company until the conclusion of the 2015 Annual General Meeting. Save as aforesaid, there have been no other changes of auditors of the Company in the past three years.

Ernst & Young was the Company's international auditors for the year ended 31 December 2015. A resolution for the appointment of Ernst & Young as the international auditors of the Company will be proposed at the 2015 Annual General Meeting.

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

11 March 2016

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 ensure that the Company conducts its business in an honest, transparent and responsible manner and to promoting the development of the Company and the interest of the shareholders.

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

For the year ended 31 December 2015, the Company was in compliance with the mandatory code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2015 and up to the date of issuance of this annual report.

THE BOARD OF DIRECTORS

As at 31 December 2015, the Board of the Company comprised three executive Directors, two non-executive Directors, three independent non-executive Directors.

The Board members are as follows:

Executive Directors

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

Non-Executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors

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

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

Responsibilities

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

Delegation of management function

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

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

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

Appointment and re-election of Directors

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

Each of the Directors has entered into a service contract with the Company for a period of three years. Unless terminated by not less than one month's notice in writing served by either the Directors or the Company, the contract will be automatically renewed until terminated in accordance with the terms of the service contract. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association. At the annual general meeting held by the Company on 19 May 2015, Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Xing Jian, Mr. Chen Yinghai and Mr. Han Benwen were re-elected as Directors of the Company.

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

Induction training and development

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

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. All Directors are encouraged to attend relevant training courses at the Company's expense. From January 2015 to December 2015, all Directors have been required to provide the Company with their training records, and relevant records have been maintained by the company secretary. All Directors of the Company including Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Chen Yinghai, Mr. Xing Jian, Mr. Han Benwen and the Company Secretary Ms. Zhang Yuexia attended the training courses or continuing study programmes in relation to corporate governance and management to further enhance their knowledge and skills.

Performance evaluation

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure improvement in its functioning. During 2015, the Board had conducted the evaluation of its performance.

Number of meetings and Directors' attendance

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

During the year ended 31 December 2015, eleven board meetings either in person or through other electronic means of communication were held and the attendance records of individual Directors are set out below:

Name of Directors	Number of Board Meetings Attended/Held	Number of General Meetings Attended/Held
Executive Directors		
Mr. ZHANG Shiping	10/11	1/1
Ms. ZHENG Shuliang	11/11	1/1
Mr. ZHANG Bo	11/11	1/1
Non-Executive Directors		
Mr. YANG Congsen	11/11	1/1
Mr. ZHANG Jinglei	11/11	1/1
Independent Non-Executive Directors		
Mr. XING Jian	8/11	1/1
Mr. CHEN Yinghai	8/11	1/1
Mr. HAN Benwen	8/11	1/1

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

TERMS OF OFFICE OF DIRECTORS

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

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

SUBORDINATE COMMITTEES OF THE BOARD

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

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

A. AUDIT COMMITTEE

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

The composition of the Audit Committee

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

Roles and functions

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

The Company's annual results for the year ended 31 December 2015 have been reviewed by the Audit Committee.

During the year ended 31 December 2015, the Audit Committee held three meetings, and the attendance record of individual committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	3/3
Mr. XING Jian	3/3
Mr. CHEN Yinghai	3/3

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 the Group's 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 the 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.

During the year ended 31 December 2015, the Remuneration Committee held one meeting to fulfill the duties as required aforesaid and the attendance record of individual committee members are set out below:

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

C. NOMINATION COMMITTEE

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

The Nomination Committee was established on 16 January 2011. During the year ended 31 December 2015, the Nomination Committee held one meeting, and the attendance record of individual committee members are set out below:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2015.

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

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

EXTERNAL AUDITORS

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

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2015 amounted to RMB3,740,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary, Ms. Zhang Yuexia. The company secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with the shareholders and the management. As at 31 December 2015, the company secretary undertook over 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

EY 安永

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

To the shareholders of China Hongqiao Group Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries set out on pages 47 to 128, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 issued by the International Accounting Standards Board 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, 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 issued by the International Auditing and Assurance Standards Board. 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

ERNST & YOUNG
Certified Public Accountants
Hong Kong

11 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Revenue	4	**44,109,934**	36,085,800
Cost of sales		**(35,158,491)**	(26,789,332)
Gross profit		**8,951,443**	9,296,468
Other income and gains	5	**744,676**	739,020
Selling and distribution expenses		**(88,449)**	(94,520)
Administrative expenses		**(878,696)**	(610,884)
Other expenses		**(42,670)**	(79,940)
Finance costs	6	**(3,217,096)**	(1,905,377)
Changes in fair value of derivative	29	**(209,932)**	(17,034)
Share of losses of associates		**(284)**	–
PROFIT BEFORE TAX	7	**5,258,992**	7,327,733
Income tax expense	10	**(1,638,754)**	(2,026,366)
PROFIT FOR THE YEAR		**3,620,238**	5,301,367
Attributable to:			
Owners of the parent		**3,648,791**	5,313,632
Non-controlling interests		**(28,553)**	(12,265)
		3,620,238	5,301,367
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**63,700**	40,681
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**3,683,938**	5,342,048
Attributable to:			
Owners of the parent		**3,687,010**	5,338,041
Non-controlling interests		**(3,072)**	4,007
		3,683,938	5,342,048
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	11	**0.58**	0.89
Diluted	11	**0.58**	0.88

Consolidated Statement of Financial Position

31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**69,828,275**	54,852,855
Prepaid land lease payments	14	**1,738,590**	1,459,378
Deposits paid for acquisition of items of property, plant and equipment		**1,497,883**	2,139,174
Deferred tax assets	15	**255,576**	96,490
Investments in associates	16	**309,744**	–
Goodwill	17	**80,418**	80,418
TOTAL NON-CURRENT ASSETS		**73,710,486**	58,628,315
CURRENT ASSETS			
Prepaid land lease payments-current portion	14	**37,774**	31,255
Inventories	18	**12,235,436**	11,165,403
Trade receivables	19	**1,052,939**	335,664
Bills receivable	20	**7,503,961**	2,466,183
Prepayments and other receivables	21	**2,807,789**	2,294,793
Restricted bank deposits	22	**601,417**	829,789
Cash and cash equivalents	22	**8,488,534**	7,676,335
TOTAL CURRENT ASSETS		**32,727,850**	24,799,422
CURRENT LIABILITIES			
Trade and bills payables	23	**5,754,305**	2,427,058
Other payables and accruals	24	**10,261,532**	7,960,575
Dividends payable		**–**	1
Bank borrowings - due within one year	25 (a)	**11,911,430**	7,663,730
Other borrowings - due within one year	25 (b)	**75,000**	160,000
Income tax payable		**103,923**	366,859
Short-term debentures and notes	26	**14,000,000**	7,000,000
Medium-term debentures and bonds - due within one year	27	**–**	1,500,000
Convertible bonds-liability component	29	**–**	797,443
Convertible bonds-derivative component	29	**–**	84,588
TOTAL CURRENT LIABILITIES		**42,106,190**	27,960,254
NET CURRENT LIABILITIES		**9,378,340**	3,160,832
TOTAL ASSETS LESS CURRENT LIABILITIES		**64,332,146**	55,467,483

continued/...

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Bank borrowings - due after one year	25 (a)	**11,465,162**	11,820,722
Other borrowings - due after one year	25 (b)	**–**	75,000
Deferred tax liabilities	15	**165,825**	148,460
Medium-term debentures and bonds - due after one year	27	**11,905,771**	6,742,686
Guaranteed notes	28	**4,505,961**	4,246,601
Other non-current liabilities	30	**52,490**	–
TOTAL NON-CURRENT LIABILITIES		**28,095,209**	23,033,469
NET ASSETS		**36,236,937**	32,434,014
EQUITY			
Issued capital	31	**415,834**	403,152
Reserves	32	**35,092,969**	31,686,472
Equity attributable to owners of the parent		**35,508,803**	32,089,624
NON-CONTROLLING INTERESTS		**728,134**	344,390
TOTAL EQUITY		**36,236,937**	32,434,014

Zhang Shiping
Executive Director

Zhang Bo
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the parent								
	Issued capital RMB'000 Note 31	Share premium* RMB'000	Capital reserve*(1) RMB'000	Translation reserve* RMB'000	Statutory surplus reserve*(2) RMB'000	Retained earnings* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	386,206	4,832,946	793,349	(13,613)	3,104,226	17,571,259	26,674,373	208,172	26,882,545
Profit/(loss) for the year	–	–	–	–	–	5,313,632	5,313,632	(12,265)	5,301,367
Foreign currency translation adjustments	–	–	–	24,409	–	–	24,409	16,272	40,681
Total comprehensive income for the year	–	–	–	24,409	–	5,313,632	5,338,041	4,007	5,342,048
Issuance of shares (note 31)	16,946	1,336,490	–	–	–	–	1,353,436	–	1,353,436
Share issue expenses	–	(14,997)	–	–	–	–	(14,997)	–	(14,997)
Final 2013 dividend declared	–	–	–	–	–	(1,261,229)	(1,261,229)	–	(1,261,229)
Transfer to reserves	–	–	–	–	696,945	(696,945)	–	–	–
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	132,211	132,211
At 31 December 2014	403,152	6,154,439	793,349	10,796	3,801,171	20,926,717	32,089,624	344,390	32,434,014
At 1 January 2015	403,152	6,154,439	793,349	10,796	3,801,171	20,926,717	32,089,624	344,390	32,434,014
Profit/(loss) for the year	–	–	–	–	–	3,648,791	3,648,791	(28,553)	3,620,238
Foreign currency translation adjustments	–	–	–	38,219	–	–	38,219	25,481	63,700
Total comprehensive income/(loss) for the year	–	–	–	38,219	–	3,648,791	3,687,010	(3,072)	3,683,938
Issuance of shares (note 31)	12,682	1,087,444	–	–	–	–	1,100,126	–	1,100,126
Final 2014 dividend declared	–	–	–	–	–	(1,367,957)	(1,367,957)	–	(1,367,957)
Transfer of reserves	–	–	–	–	491,705	(491,705)	–	–	–
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	386,816	386,816
At 31 December 2015	415,834	7,241,883	793,349	49,015	4,292,876	22,715,846	35,508,803	728,134	36,236,937

Notes:

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

(2) 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 tax 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.

* These reserve accounts comprise the consolidated reserves of RMB35,092,969,000 (2014: RMB31,686,472,000) as of 31 December 2015.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,258,992**	7,327,733
Adjustments for:			
Interest income	5	**(34,685)**	(66,481)
Finance costs		**3,217,096**	1,905,377
Share of losses of associates		**(284)**	–
Depreciation	7	**4,687,312**	3,112,911
(Gain)/loss on disposal of items of property, plant and equipment	5	**(4,386)**	7,967
Gain from changes in fair value of held-for-trading financial liabilities		**–**	(5,278)
Loss on fair value changes of derivative		**209,932**	17,034
Release of prepaid land lease payments	7,14	**33,337**	25,581
Sub-total		**13,367,314**	12,324,844
Increase in inventories		**(1,087,281)**	(120,494)
Increase in receivables, deposits and prepayments		**(6,210,633)**	(749,161)
Increase in payables, deposits received and accrued charges		**3,771,716**	290,696
Cash generated from operations		**9,841,116**	11,745,885
Income tax paid		**(2,071,369)**	(2,116,019)
Net cash flows from operating activities		**7,769,747**	9,629,866
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment and deposits for acquisition of items of property, plant and equipment		**(17,119,993)**	(9,257,121)
Loans to associates		**(292,212)**	–
Proceeds from disposal of items of property, plant and equipment		**7,501**	2,157
Receipt of government grants		**52,490**	–
Addition to prepaid land lease payments		**(307,055)**	(110,922)
Acquisition of a subsidiary (note 35)		**–**	(1,857,656)
Interest received		**34,685**	66,481
Placement of restricted bank deposits		**(1,301,062)**	(1,268,274)
Withdrawal of restricted bank deposits		**1,529,434**	2,109,061
Net cash flows used in investing activities		**(17,396,212)**	(10,316,274)

continued/...

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	31	**–**	1,353,436
Share issue expenses		**–**	(14,997)
Dividends paid to the owners of the parent		**(1,367,957)**	(1,261,229)
Proceeds from issuance of medium-term debentures and bonds		**5,200,000**	2,300,000
Repayment of medium-term debentures and bonds		**(1,500,000)**	–
Proceeds from issuance of short-term debentures and notes		**14,000,000**	7,000,000
Repayment of short-term debentures and notes		**(7,000,000)**	(4,000,000)
Payment of transaction costs on issuance of short-term debentures and notes		**(62,000)**	(36,500)
Payment of transaction costs on issue of medium-term debentures and notes		**(65,800)**	(37,540)
Proceeds from issuance of guaranteed notes		**–**	4,306,870
Payment of transaction costs on issuance of guaranteed notes		**–**	(70,756)
New bank borrowings		**20,266,225**	12,434,450
Repayment of bank borrowings		**(16,981,746)**	(12,278,358)
Repayment of other borrowings		**(160,000)**	(95,000)
Interest paid		**(2,242,680)**	(1,772,421)
Contribution from non-controlling shareholders		**386,816**	132,211
Repayment of an amount due to a former shareholder of an acquired subsidiary (note 35)		**–**	(5,959,524)
Net cash flows from financing activities		**10,472,858**	2,000,642
NET INCREASE IN CASH AND CASH EQUIVALENTS		**846,393**	1,314,234
Effect of foreign exchange rate changes, net		**(34,194)**	31
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**7,676,335**	6,362,070
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	**8,488,534**	7,676,335
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**8,447,534**	7,676,335
Non-pledged time deposits with original maturity of less than three months when acquired	22	**41,000**	–
Cash and cash equivalents as stated in the statement of financial position		**8,488,534**	7,676,335
Cash and cash equivalents as stated in the statement of cash flows		**8,488,534**	7,676,335

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Law of Cayman Islands. The registered address of the Company is Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company's parent and ultimate holding company is China Hongqiao Holdings Limited ("Hongqiao Holdings"), a company incorporated in the British Virgin Islands ("BVI"). The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 24 March 2011.

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the business of manufacture and sale of aluminum products in the People's Republic of China ("PRC").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up issued capital/ registered capital	Equity interest attributable to the Company as at 31 December 2014 %	Equity interest attributable to the Company as at 31 December 2015 %	Principal activity
China Hongqiao Investment Limited	BVI 5 February 2010	US$200	100	**100**	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong 18 February 2010	HK$10,100	100	**100**	Investment holding
PT. Well Harvest Winning Alumina Refinery	Jakarta, Indonesia 20 March 2012	IDR2,334,000,000,000	60	**60**	Manufacture and sale of alumina
Hongqiao International Trading Limited 宏橋國際貿易有限公司	Hong Kong 11 April 2012	HK$10,000,000	100	**100**	Trading of bauxite
山東宏橋新型材料有限公司 Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao") (note i)	PRC 27 July 1994	US$1,423,120,000/ US$1,533,120,000 (note ii)	100	**100**	Manufacture and sale of aluminum products
山東魏橋鋁電有限公司 Shandong Weiqiao Aluminum and Power Co., Ltd ("Weiqiao Aluminum & Power") (note i)	PRC 25 December 2002	RMB13,000,000,000	100	**100**	Manufacture and sale of aluminum products
濱州市政通新型鋁材有限公司 Binzhou Municipal Zhengtong New Aluminum Profiles Co., Ltd. (note i)	PRC 20 May 2008	RMB6,200,000,000	100	**100**	Manufacture and sale of aluminum products
惠民縣匯宏新材料有限公司 Huimin Huihong New Aluminum (note i)	PRC 6 December 2011	RMB5,000,000,000	100	**100**	Manufacture and sale of aluminum products
濱州市沾化區匯宏新材料有限公司 Zhanhua Country New Aluminum Profiles Co., Ltd. ("Zhanhua Huihong") (note i)	PRC 8 August 2013	RMB1,000,000,000	100	**100**	Manufacture and sale of aluminum products

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2014 %	Equity interest attributable to the Company as at 31 December 2015 %	Principal activity
陽信縣匯宏新材料有限公司 Yangxin Country New Aluminum Profiles Co., Ltd. (note i)	PRC 9 August 2013	RMB1,000,000,000	100	**100**	Manufacture and sale of aluminum products
濱州北海匯宏新材料有限公司 Binzhou Beihai New Aluminum Profiles Co., Ltd. (note i)	PRC 2 September 2013	RMB1,000,000,000	100	**100**	Manufacture and sale of aluminum products
濱州市濱北新材料有限公司 Binzhou Binbei New Aluminum Profiles Co., Ltd. ("Binbei Aluminum") (note i)	PRC 2 November 2011	RMB1,500,000,000	100	**100**	Manufacture and sale of aluminum products
山東宏橋融資租賃有限公司 Shandong Hongqiao Financial Leasing Co., Ltd. ("Hongqiao Financial Leasing") (note i)	PRC 19 May 2014	US$100,000,000/ US$200,000,000 (note iii)	100	**100**	Financial leasing
濱州魏橋環保科技有限公司 Binzhou Weiqiao Environment and Technology Co., Ltd. (note i)	PRC 19 March 2015	RMB5,000,000	–	**100**	Environmental protection and inspection
山東宏帆實業有限公司 Shandong Hongfan Industrial Co., Ltd. (note i)	PRC 9 June 2015	RMB1,000,000,000	–	**100**	Manufacture and sale of aluminum products
濱州宏展鋁業科技有限公司 Binzhou Hongzhan Aluminum Technology Co., Ltd. ("Hongzhan") (note i)	PRC 5 August 2015	RMB200,000,000	–	**100**	Manufacture and sale of aluminum products
鄒平宏發鋁業科技有限公司 Zouping Hongfa Aluminum Technology Co., Ltd. ("Hongfa") (note i)	PRC 25 June 2015	RMB700,000,000	–	**100**	Manufacture and sale of aluminum products
山東宏濱國際商貿有限公司 Shandong HongbinInternational Business Co., Ltd. (note i)	PRC 21 July 2015	RMB30,000,000	–	**100**	Manufacture and sale of aluminum products

Notes:

(i) The English names of these companies are for reference only.

(ii) As at 31 December 2015, the registered capital is US$1,533,120,000, out of which Hongqiao Investment paid up the remaining US$110,000,000 before 29 February 2016.

(iii) As at 31 December 2015, the registered capital is US$200,000,000, out of which Hongqiao Investment committed to pay up the remaining US$100,000,000 before 14 July 2016.

Other than China Hongqiao Investment Limited and PT Well Harvest Winning Alumina Refinery, all of the above subsidiaries are indirectly held by the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the Group in light of the Group's net current liabilities of approximately RMB9,378,340,000 as at 31 December 2015. The directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of issuance of the financial statements. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations, including those committed capital expenditures relating to plant construction, that will be due in the coming twelve months from the date of the issuance of financial statements based on the Group's existing resources and upon successful implementation of the following measures which will generate adequate financing and operating cash inflows for the Group:

(i) as at 31 December 2015, the Group had cash and cash equivalents of approximately RMB8,488,534,000, and unutilised short term debentures and notes of approximately RMB6,000,000,000 which can be freely utilised within twelve months from the year end date;

(ii) the Group is actively negotiating with banks for the renewal of its short-term borrowings as necessary when they fall due in the coming twelve months following the date of the issuance of financial statements. The Group did not encounter any significant difficulties in renewing its short-term borrowings in the past and therefore the directors are of the opinion that all short-term borrowings can be renewed;

(iii) from 15 January 2016 to 25 February 2016, Shandong Hongqiao completed the issuance of the 2016 domestic corporate bonds (first tranche, second tranche and third tranche) and the offering size was totaling RMB6,000,000,000, details of which are set out in the note 40 "Events after the reporting period" to the financial statements;

(iv) on 18 February 2016, the Company completed the rights issue of 891,550,213 right shares at the subscription price of HK$4.31 per right share on the basis of 7 right shares for every 50 shares held on the record date. The net proceeds from the rights issue was approximately HK$3,829,102,000 (equivalent to approximately RMB3,222,139,000), details of which are set out in the note 40 "Events after the reporting period" to the financial statements; and,

(v) on 11 March 2016, Weiqiao Aluminum & Power completed the issuance of the 2016 domestic corporate bonds (first tranche), the offering size was RMB4,000,000,000, details of which are set out in the note 40 "Events after the reporting period" to the financial statements.

After taking into account the Group's business prospects, internal resources, the net proceeds from the rights issue and the available financing facilities, the directors are of the opinion that, in the absence of unforeseeable circumstances and subject to the successful securing of the sources of funding and implementation of the measures set out above, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of issuance of the financial statements. Accordingly, the consolidated financial statements for the year ended 31 December 2015 have been prepared on a going concern basis.

Certain comparative information have been reclassified to conform the current year's presentation.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- IAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(c) The *Annual Improvements to IFRSs 2011-2013 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Details of the amendments that are effective for the current year are as follows:

- IFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of IFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- IFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 or IAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which IFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in IFRS 13.

- IAS 40 *Investment Property*: Clarifies that IFRS 3, instead of the description of ancillary services in IAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group did not have acquisition of investment properties during the year.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Disclosure Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
6 No mandatory effective date yet determined.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 *Property, Plant and Equipment*. For lessors, there is little change to the existing accounting in IAS 17 *Leases*. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

In January 2016, the IASB published Amendments to IAS 7. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments are not expected to have any significant impact on the financial position or performance of the Group upon adoption on 1 January 2017.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss and other comprehensive income in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	20-30 years
Plant and machinery	5-20 years
Furniture and fixtures	5-14 years
Motor vehicles	10 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss and other comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the statement of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss other comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss and other comprehensive income if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income. The net fair value gain or loss recognised in the statement of profit or loss and other comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The employees in the Group's subsidiary in Indonesian are members of the state-managed retirement benefit scheme operated by the Indonesian government. The subsidiary is required to contribute a certain percentage of payroll costs to the retirement benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when 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 costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 5.28% (2014: 7.44%) has been applied to the expenditure on the individual assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss and other comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Withholding tax provision on profit appropriation

The Group provides for withholding taxes of 10% on certain of its PRC subsidiaries' distributable profits generated from 1 January 2011 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2015, the amounts provided for withholding tax was RMB90,698,000(2014: RMB68,042,000). Further details are given in note 15 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was RMB80,418,000 (2014: RMB80,418,000). Further details are given in note 17 to the financial statements.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2015 was RMB110,800,000 (2014: Nil). The amount of unrecognised tax losses at 31 December 2015 was RMB127,043,000 (2014: RMB84,636,000). Further details are contained in note 15 to the financial statements.

PRC Corporate Income Tax ("PRC CIT")

The Group's operating subsidiaries in Mainland China are subject to PRC CIT. As a result of the fact that certain matters relating to PRC CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision for PRC CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact the income tax expense and tax provision in the period in which the differences realise.

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 2015, 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 2015, the carrying amount of property, plant and equipment was approximately RMB69,828,275,000 (2014: RMB54,852,855,000) as disclosed in Note 13 to the financial statements.

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on selling price, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2015, the carrying amount of inventories was approximately RMB12,235,436,000 (2014: RMB11,165,403,000) as disclosed in note 18 to the financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in Mainland China. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

Geographic information

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

	Non-current assets	
	2015	2014
	RMB'000	RMB'000
PRC	**69,163,793**	57,003,629
Overseas countries	**4,291,117**	1,528,196
	73,454,910	58,531,825

4. REVENUE

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

	2015	2014
	RMB'000	RMB'000
Revenue from sales of goods		
Aluminum products		
– molten aluminum alloy	**40,291,596**	31,009,199
– aluminum alloy ingots	**1,731,393**	2,759,627
– aluminum fabrication	**2,031,011**	2,173,397
– aluminum busbars	**–**	8,054
Steam supply income	**55,934**	135,523
	44,109,934	36,085,800

Revenue from external customers of the Group are mainly contributable to customers established in the PRC, the place of domicile of the Group's operating entities.

Revenue from customers, including sales to a group of entities which are known to be under common control with that customer, individually amounted to over 10% of the total revenues of the Group are as follows:

	2015	2014
	RMB'000	RMB'000
		(Restated)
Customer A	**15,625,790**	13,338,035
Customer B	**3,778,377**	5,361,775

5. OTHER INCOME AND GAINS

	2015 RMB'000	2014 RMB'000 (Restated)
Interest income	**34,685**	66,481
Gain from sales of raw materials	**29,555**	51,597
Gain from sales of scraps	**238,530**	266,170
Gain from sales of slag of carbon anode blocks	**385,233**	317,525
Gain/(loss) on disposal of items of property, plant and equipment	**4,386**	(7,967)
Investment loss from held-for-trading investment	**–**	(2,431)
Gain from changes in fair value of held-for-trading financial liabilities	**–**	5,278
Others	**52,287**	42,367
	744,676	739,020

6. FINANCE COSTS

	2015 RMB'000	2014 RMB'000 (Restated)
Interest expenses on bank borrowings	**997,873**	1,004,459
Interest expenses on convertible bonds (Note 29)	**46,672**	107,395
Interest expenses on other borrowings	**11,415**	18,828
Interest expenses on short-term debentures and notes	**578,789**	333,339
Interest expenses on medium-term debentures and bonds	**676,701**	510,290
Interest expenses on guaranteed notes	**337,227**	128,014
Foreign exchange losses, net	**999,615**	107,530
	3,648,292	2,209,855
Less: amounts capitalised under construction in progress	**(431,196)**	(304,478)
	3,217,096	1,905,377

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5.28% (2014: 7.44%) per annum to expenditure on qualifying assets.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2015 RMB'000	2014 RMB'000
Staff cost:		
Directors' and chief executive's remuneration (Note 8)	**4,641**	5,177
Other staff costs:		
– Wages and salaries	**2,927,082**	2,004,704
– Retirement benefit schemes contributions	**89,680**	85,971
Total staff costs	**3,021,403**	2,095,852
Auditors' remuneration	**3,740**	4,900
Depreciation of items of property, plant and equipment (Note 13)	**4,687,312**	3,112,911
Cost of inventories recognised as an expense	**34,973,717**	26,566,000
Foreign exchange differences, net	**999,615**	107,530
Write-down of inventories to net realisable value*	**42,670**	–
Release of prepaid lease payments (Note 14)	**33,337**	25,581

* The write-down of inventories to net realisable value is included in "Other expenses" in profit or loss.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**4,300**	4,767
Other emoluments:		
– Salaries, allowances and benefits in kind	**326**	389
– Pension scheme contributions	**15**	21
	341	410
	4,641	5,177

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2015 RMB'000	2014 RMB'000
Mr. Xing Jian	200	200
Mr. Chen Yinghai	200	200
Mr. Han Benwen	200	200
	600	600

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

(b) Executive directors, non-executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2015				
Executive directors:				
Zhang Shiping ("Mr. Zhang")	1,500	93	–	1,593
Zheng Shuliang	500	70	–	570
Zhang Bo	800	84	8	892
	2,800	247	8	3,055
Non-executive directors				
Yang Congsen	600	79	7	686
Zhang Jinglei	300	–	–	300
	900	79	7	986
	3,700	326	15	4,041

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2014				
Executive directors:				
Zhang Shiping ("Mr. Zhang")	1,500	90	–	1,590
Zheng Shuliang	500	65	–	565
Zhang Bo	800	80	7	887
Qi Xingli	467	78	7	552
	3,267	313	14	3,594
Non-executive directors				
Yang Congsen	600	76	7	683
Zhang Jinglei	300	–	–	300
	900	76	7	983
	4,167	389	21	4,577

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2015 and 2014.

9. FIVE HIGHEST PAID EMPLOYEES

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

10. INCOME TAX

The Company is a limited liability company incorporated in Cayman Islands and conducts its primary business through its subsidiaries in Mainland China. It also has two intermediate holding companies in BVI and Hong Kong, and one trading company in Hong Kong and one subsidiary under construction phase in Indonesia. The subsidiaries incorporated in BVI and Indonesia had no assessable profits since their incorporation. The Hong Kong profits tax rate was 16.5% during the year ended 31 December 2015 (2014: 16.5%).

Effective from 1 January 2008, the PRC's statutory Corporate Income Tax ("CIT") rate is 25%. The Company's PRC subsidiaries are subject to income tax at 25% on their respective taxable incomes as calculated in accordance with the CIT Law and its relevant regulations.

10. INCOME TAX (Continued)

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax. An amount of RMB90,698,000 (2014: RMB68,042,000) is recognised in respect of the PRC subsidiaries' undistributed profits generated in the current year.

The current and deferred components of income tax expense appearing in the profit or loss are as follows:

	2015 **RMB'000**	2014 RMB'000
The charge comprises:		
Current tax		
PRC CIT	**1,771,168**	1,922,667
Hong Kong Profits Tax	**9,307**	15,530
Under provision in prior year		
PRC CIT	**–**	19,553
Hong Kong Profits Tax	**–**	2,900
Deferred tax (credit)/charge (note 15)	**(141,721)**	65,716
	1,638,754	2,026,366

A reconciliation of the income taxes computed at the PRC statutory tax rate of 25% to the actual income tax expense at effective tax rate is as follows:

	2015 **RMB'000**	2014 RMB'000
Profit before tax	**5,258,992**	7,327,733
Tax at the statutory tax rate of 25%	**1,314,748**	1,831,933
Tax effect of expenses not deductible	**64,014**	38,677
Tax effect of tax losses not recognised	**20,204**	16,658
Effect of entity not subject to income tax	**88,489**	47,236
Utilization of tax losses previously not recognised	**(9,602)**	(96)
Effect of different tax rates of subsidiaries	**2,090**	1,463
Under provision in prior years	**–**	22,453
Losses attributable to associates	**71**	–
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**90,698**	68,042
Tax effect of distribution of profits due to change of tax rate	**68,042**	–
Tax charge for the year	**1,638,754**	2,026,366

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted earnings per share for the year were calculated as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Earnings		
Profit attributable to owners of the parent, used in the basic earnings per share calculation:	**3,648,791**	5,313,632
Interest on convertible bonds	**–**	107,395
Changes in fair value of derivative	**–**	17,034
Profit attributable to owners of the parent before interest on convertible bonds and changes in fair value of derivative	**3,648,791**	5,438,061
Shares ('000 shares)		
Weighted average number of ordinary shares in issue during the year	**6,277,594**	5,974,189
Bonus element of rights issue	**22,654**	21,559
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,300,248**	5,995,748
Effect of dilution – weighted average number of ordinary shares:		
– Convertible bonds	**–**	189,987
	6,300,248	6,185,735

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2015 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

Subsequent to the end of reporting period, on 18 February 2016, the Company completed the rights issue of 891,550,213 right shares and accordingly the earnings per share have been restated to reflect the effect of rights issue.

12. DIVIDENDS

	2015 RMB'000	2014 RMB'000
2014 final dividends – HK28 cents per share	**1,367,957**	–
2013 final dividends – HK27 cents per share	**–**	1,261,229
	1,367,957	1,261,229

Subsequent to the end of the reporting period a final dividend of HK$1,082,597,000 (equivalent to approximately RMB906,978,000) at HK15 cents per share in respect of the year ended 31 December 2015, based on 7,259,766,023 shares as at 18 February 2016, upon completion of the right issue, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

During the year, the final dividend of HK$1,725,046,000 (equivalent to approximately RMB1,367,957,000) at HK28 cents per share in respect of the year ended 31 December 2014, based on 6,160,880,000 shares as at 31 December 2014 (2013: HK$1,588,950,000 (equivalent to approximately RMB1,261,229,000), at HK27 cents per share in respect of the year ended 31 December 2013) was declared to the owners of the parent.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2014	12,144,811	24,210,839	10,487	37,906	9,081,064	45,485,107
Additions	24,127	825,394	4,954	3,940	10,143,558	11,001,973
Acquisition of subsidiaries (note 35)	1,861,100	4,343,585	1,785	2,850	767,936	6,977,256
Transfers	3,226,014	6,520,571	23	2,326	(9,748,934)	–
Disposals	–	(150,104)	–	–	–	(150,104)
At 31 December 2014 and 1 January 2015	17,256,052	35,750,285	17,249	47,022	10,243,624	63,314,232
Additions	19,861	2,278,433	9,447	6,437	17,351,669	19,665,847
Transfers	4,331,565	9,553,193	558	2,327	(13,887,643)	–
Reclassification	(1,922,252)	1,922,252	–	–	–	–
Disposals	–	(4,725)	–	(849)	–	(5,574)
At 31 December 2015	19,685,226	49,499,438	27,254	54,937	13,707,650	82,974,505
Accumulated depreciation						
At 1 January 2014	1,268,057	4,204,127	3,528	12,734	–	5,488,446
Depreciation charge	660,449	2,446,545	2,037	3,880	–	3,112,911
Disposals	–	(139,980)	–	–	–	(139,980)
At 31 December 2014 and 1 January 2015	1,928,506	6,510,692	5,565	16,614	–	8,461,377
Depreciation charge	373,696	4,304,214	4,238	5,164	–	4,687,312
Disposals	–	(1,806)	–	(653)	–	(2,459)
At 31 December 2015	2,302,202	10,813,100	9,803	21,125	–	13,146,230
Net carrying amount						
At 31 December 2014	15,327,546	29,239,593	11,684	30,408	10,243,624	54,852,855
At 31 December 2015	17,383,024	38,686,338	17,451	33,812	13,707,650	69,828,275

At 31 December 2015, certain of the Group's buildings with a net carrying amount of approximately RMB326,900,000 (2014: RMB:356,468,000) were pledged to secure general banking facilities granted to the Group (note 36).

There are properties with a carrying amount of RMB1,749,435,000 (2014: RMB5,653,769,000) located in the PRC of which the Group is in the process of obtaining the property certificates. In the opinion of the directors, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

14. PREPAID LAND LEASE PAYMENTS

	2015 RMB'000	2014 RMB'000
Carrying amount at 1 January	**1,490,633**	1,164,139
Recognised during the year	**319,068**	110,922
Acquired on acquisition of a subsidiary (note 35)	**–**	241,153
Released	**(33,337)**	(25,581)
Carrying amount at 31 December	**1,776,364**	1,490,633
Prepaid lease payments related to land use rights analysed for reporting purposes as:		
Current portion	**37,774**	31,255
Non-current portion	**1,738,590**	1,459,378
	1,776,364	1,490,633

The amount represents the prepayment of rentals for land use rights in the PRC for a period of 20 to 50 years.

There are prepaid land lease payments with carrying amount of RMB278,021,000 (2014: Nil) located in the PRC which the Group is in the process of obtaining the property certificates.

15. DEFERRED TAX

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

	Fair value changes of held-for-trading financial liabilities RMB'000	Excess of accounting depreciation over tax depreciation RMB'000	Tax losses RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Unrealised profit on intra-group sales RMB'000	Deferred income RMB'000	Provision for impairment of inventories RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employee benefits RMB'000	Total RMB'000
At 1 January 2014	945	30,689	–	(40,000)	102,530	–	–	–	–	94,164
(Charged)/credited to profit or loss	(945)	(569)	–	(28,042)	(36,220)	–	–	–	60	(65,716)
Acquisition of a subsidiary (note 35)	–	–	–	–	–	–	–	(80,418)	–	(80,418)
At 31 December 2014	–	30,120	–	(68,042)	66,310	–	–	(80,418)	60	(51,970)
(Charged)/credited to profit or loss	–	(13,692)	110,800	(22,656)	37,922	13,123	10,668	5,291	265	141,721
At 31 December 2015	–	16,428	110,800	(90,698)	104,232	13,123	10,668	(75,127)	325	89,751

15. DEFERRED TAX (Continued)

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

	2015 **RMB'000**	2014 RMB'000
Deferred tax assets	**255,576**	96,490
Deferred tax liabilities	**(165,825)**	(148,460)
	89,751	(51,970)

At 31 December 2015, The Group has tax losses of RMB570,243,000 (2014: RMB84,636,000) that are available for offsetting against future taxable profits of the companies in which the losses arose.

	2015 **RMB'000**	2014 RMB'000
Tax losses unrecognised for deferred tax		
2020	**80,816**	–
2019	**30,662**	66,817
2018	**15,565**	17,819
	127,043	84,636

At 31 December 2015, deferred tax assets of RMB110,800,000 (2014: Nil) were recognised for Hongfa, Hongzhan, Hongqiao Financial Leasing and Zhanhua Huihong. In assessing the recoverability of the Group's deferred tax assets, management has performed a detailed assessment on the available taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the deductible temporary differences and unused tax losses can be utilised before they expire.

In addition, management has also performed a detailed assessment on these subsidiaries' profitability based on their production plans, product mix, forecasted selling prices, and the related production and operational costs, of which strong profits are expected. Accordingly, management considered it is probable that the Group, in future, will earn sufficient taxable profits to utilise these subsidiaries' deductible temporary differences and unused tax losses before they expire and as such, the related deferred tax assets are recognised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%.The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2011.

The aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB25,471,117,000 (2014: RMB21,042,340,000), because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

16. INVESTMENT IN ASSOCIATES

	2015 RMB'000	2014 RMB'000
Share of net assets	**17,532**	–
Loans to associates	**292,212**	–
	309,744	–

The loans to associates are unsecured, interest-free and repaid within 2 years.

The Group's payable balances with the associates are disclosed in note 23 to the financial statements.

Particulars of the material associates are as follows:

Name of company	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group %	Principal activities
Asian African Mineral and Logistics Consortium Ltd. (AAMLC)	Ordinary shares	BVI	25	Investment holding
Société à Responsabilité Limitée Unipersonnelle (SMB)	Ordinary shares	Guinea	25	Mineral exploration
Winning Alliance Ports SA (WAP)	Ordinary shares	Guinea	35	Port operation
Africa Bauxite Mining Company Ltd. (ABM)	Ordinary shares	BVI	25	Trading of bauxite

The Group's shareholdings in the associates all comprise equity shares held by a wholly-owned subsidiary of the Company.

The financial years of the above associates are coterminous with that of the Group.

The Group has discontinued the recognition of its share of losses of SMB and WAP because the share of losses of these associates exceeded the Group's interest in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of SMB and WAP for the current year and cumulatively were RMB3,794,075 (2014: Nil) and RMB3,794,075 (2014: Nil), RMB 12,847,010 (2014: Nil) and RMB12,847,010 (2014: Nil), respectively.

16. INVESTMENT IN ASSOCIATES (Continued)

None of the associates are material to the Group. The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 RMB'000	2014 RMB'000
Share of the associates' profit or loss for the year	**17,248**	–
Share of the associates' other comprehensive income	**–**	–
Share of the associates' total comprehensive income	**17,248**	–
Elimination of unrealised profits	**(17,532)**	–
	(284)	–
Aggregate carrying amount of the Group's investments in associates	**17,532**	–

17. GOODWILL

	2015 RMB'000	2014 RMB'000
Cost		
At 1 January	**80,418**	–
Arising on:		
Acquisition of a subsidiary	**–**	80,418
At 31 December	**80,418**	80,418
Impairment		
At 1 January and at 31 December	**–**	–
Net carrying amount		
At 31 December	**80,418**	80,418

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

17. GOODWILL (Continued)

For the purposes of impairment testing, goodwill has been allocated to the following cash generating unit (CGU).

	2015 RMB'000	2014 RMB'000
Manufacture and selling of aluminum products in Binzhou, the PRC	**80,418**	80,418

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling price and direct costs during the period. Management estimates discount rates using pre-tax rate of 11.30% that reflects current market assessments of the time value of money and the risks specific to the CGU. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For the purpose of impairment testing, the Group prepares cash flow projection covering a 4-year period. The calculation uses cash flow projections based on financial budgets approved by management covering a 4-year period. The cash flows beyond the 4-year period are extrapolated using zero growth rates in the projection period. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

18. INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	**7,633,718**	7,637,518
Work in process	**4,443,974**	3,390,770
Finished goods	**157,744**	137,115
	12,235,436	11,165,403

The provision for impairment of inventories of the Group amounted to RMB42,670,000 for the year ended 31 December 2015 (2014: Nil).

19. TRADE RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**1,052,939**	335,664

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

The following is an aging analysis of trade receivables presented based on the date of delivery of goods which was the date on which revenue was recognised.

	2015 RMB'000	2014 RMB'000
Within 3 months	**1,043,484**	335,664
3-12 months	**9,455**	–
	1,052,939	335,664

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**1,043,484**	335,664
Less than 1 month past due	**9,455**	–
	1,052,939	335,664

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

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

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

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. BILLS RECEIVABLE

	2015 RMB'000	2014 RMB'000
Bills receivable	**7,503,961**	2,466,183

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

	2015 RMB'000	2014 RMB'000
Within 3 months	**3,358,968**	1,165,491
3 to 6 months	**4,144,993**	1,300,692
	7,503,961	2,466,183

The Group has pledged the bills receivable as disclosed in note 36 to the financial statements.

TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2015 that were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has not retained the significant risks and rewards which include default risks, relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables and other payables in the consolidated statement of financial position. Subsequent to the endorsement, the Group did not retain any rights on the use of the endorsed bills, including the sale, transfer or pledge of the endorsed bills to any other third parties. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

	2015 RMB'000	2014 RMB'000
Bills receivable endorsed to suppliers with full recourse:		
Carrying amount of transferred assets	**5,462,542**	1,802,366
Carrying amount of trade payables	**(2,391,905)**	(750,612)
Carrying amount of other payables	**(3,070,637)**	(1,051,754)
Net position as at 31 December	**–**	–

21. PREPAYMENTS AND OTHER RECEIVABLES

The balance consists of prepayments and other receivables at cost of:

	2015 **RMB'000**	2014 RMB'000
Prepayments to suppliers	**502,936**	423,397
Value-added tax recoverable	**2,053,619**	1,648,029
CIT refundable	**99,894**	71,905
Others	**151,340**	151,462
	2,807,789	2,294,793

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2015 **RMB'000**	2014 RMB'000
Cash and bank balances	**8,447,534**	7,676,335
Time deposits	**642,417**	829,789
	9,089,951	8,506,124
Less:		
Pledged time deposits:		
– pledged for issuance of letter of credit	**(423,417)**	(628,484)
– pledged for guarantee issued	**(178,000)**	(201,305)
Cash and cash equivalents	**8,488,534**	7,676,335

Cash and cash equivalents are principally RMB-denominated deposits placed with banks in the PRC. The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE AND BILLS PAYABLES

	2015 **RMB'000**	2014 RMB'000
Trade payables to third parties	**5,486,627**	2,423,834
Trade payables to a related party	**1,233**	3,224
Trade payables to an associate	**116,445**	–
Bills payable	**150,000**	–
	5,754,305	2,427,058

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 **RMB'000**	2014 RMB'000
Within 6 months	**5,566,271**	2,413,892
6-12 months	**31,936**	6,160
1-2 years	**3,991**	5,248
More than 2 years	**2,107**	1,758
	5,604,305	2,427,058

Bills payable are bills of acceptance with maturity of less than one year.

The trade payables are non-interest-bearing and are normally settled on a term of to six months.

24. OTHER PAYABLES AND ACCRUALS

	2015 **RMB'000**	2014 RMB'000
Payables on property, plant and equipment	**5,764,662**	4,211,755
Retention payables	**2,391,387**	1,713,132
Accrued payroll and welfare	**260,721**	175,161
Advances from customers	**594,152**	314,366
Other taxes payables	**268,456**	705,903
Interest payable	**875,997**	532,000
Others	**106,157**	308,258
	10,261,532	7,960,575

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) Bank borrowings

	2015 RMB'000	2014 RMB'000
Current		
Secured bank borrowings	–	308,448
Unsecured bank borrowings (note)	7,560,718	7,000,380
Unsecured syndicated loans	4,350,712	354,902
	11,911,430	7,663,730
Non-current		
Secured bank borrowings	–	286,521
Unsecured bank borrowings (note)	6,234,292	8,423,034
Unsecured syndicated loans	5,230,870	3,111,167
	11,465,162	11,820,722
	23,376,592	19,484,452

Note: The balance of bank borrowings which are guaranteed by a related party was set out in note 39(d) to the financial statements.

Fixed interest rate borrowings with an aggregate carrying amount of RMB6,791,977,000 (2014: RMB4,850,139,000) are charged ranging from 1.9% to 6.5% (2014: 1.7% to 7.8%) per annum as at 31 December 2015.

Interest on borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China (the "PBOC") or China Foreign Exchange Trading System & National Interbank Funding Center ("CFETS"), and interests on borrowings denominated in US$ and HK$ at floating rates are calculated based on London Interbank Offered Rate ("LIBOR") and Hong Kong Interbank Offered Rate ("HIBOR") respectively.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

The maturity profile of the bank borrowings as of the end of the reporting period is as follows:

	2015 **RMB'000**	2014 RMB'000
Bank borrowings repayable:		
Within one year or on demand	**11,911,430**	7,663,730
In the second year	**4,032,671**	5,161,418
In the third to fifth years, inclusive	**7,432,491**	6,659,304
	23,376,592	19,484,452

(b) Other borrowings

As of 31 December 2015, the Company's subsidiary, Weiqiao Alumina & Power pledged certain equipment to secure other borrowings of the Group with a carrying amount of RMB75,000,000 (31 December 2014: RMB235,000,000), and during the year ended 31 December 2015, the Group has repaid the other borrowings amounting to RMB160,000,000 (2014: RMB95,000,000). The secured other borrowings was lent by RBS Leasing (China) Co., Ltd, an independent third party, for three years with repayment in 12 installments and bearing interest at 6.27% per annum.

The total other borrowings are repayable as follows:

	2015 **RMB'000**	2014 RMB'000
Other borrowings repayable:		
Within one year or on demand	**75,000**	160,000
In the second year	**–**	75,000
	75,000	235,000

26. SHORT-TERM DEBENTURES AND NOTES

	2015 RMB'000	2014 RMB'000
Short-term debentures and notes	**14,000,000**	7,000,000

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

	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures A	11 June 2014	1,000,000	5.98%	11 June 2015
Short-term debentures B	13 June 2014	1,000,000	5.88%	13 June 2015
Short-term debentures C	12 September 2014	1,000,000	6.20%	12 September 2015
Short-term debentures D	22 September 2014	1,000,000	5.96%	22 September 2015
Short-term debentures E	30 October 2014	1,000,000	4.94%	30 October 2015
Short-term debentures F	6 November 2014	1,000,000	4.90%	6 November 2015
Short-term debentures G	6 March 2015	1,000,000	5.72%	5 March 2016
Short-term debentures H	9 June 2015	2,000,000	5.00%	5 March 2016
Short-term debentures I	9 July 2015	1,000,000	4.80%	4 April 2016
Short-term debentures J	16 July 2015	1,000,000	4.40%	15 July 2016
Short-term debentures K	22 July 2015	1,000,000	4.18%	17 April 2016
Short-term debentures L	30 July 2015	1,000,000	4.25%	25 April 2016
Short-term debentures M	7 August 2015	1,000,000	3.95%	3 May 2016
Short-term debentures N	18 August 2015	1,000,000	3.90%	17 August 2016
Short-term debentures O	21 August 2015	1,000,000	3.79%	21 August 2016
Short-term debentures P	9 October 2015	1,000,000	3.72%	9 October 2016
Short-term debentures Q	11 December 2015	1,000,000	4.10%	11 December 2016
Private placement notes A	25 April 2014	1,000,000	8.30%	25 April 2015
Private placement notes B	23 March 2015	1,000,000	6.80%	23 March 2016
Private placement notes C	10 April 2015	1,000,000	6.60%	10 April 2016

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

27. MEDIUM-TERM DEBENTURES AND BONDS

	2015 RMB'000	2014 RMB'000
Medium-term debentures and bonds-due within one year	–	1,500,000
Medium-term debentures and bonds-due after one year	11,905,771	6,742,686
	11,905,771	8,242,686

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

	Date of issue	Principal amount RMB'000	Nominal interest rate	Effective interest rate	Date of maturity
Unlisted					
Medium-term debentures A	25 January 2013	1,500,000	6.30%	6.67%	25 January 2018
Medium-term debentures B	10 April 2013	1,500,000	5.80%	6.12%	10 April 2018
Medium-term debentures C	22 April 2015	1,500,000	5.60%	5.94%	22 April 2018
Medium-term debentures D	9 May 2013	1,500,000	6.00%	6.32%	9 May 2018
Medium-term debentures E	14 May 2015	1,200,000	5.20%	5.54%	14 May 2018
Medium-term debentures F	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures G	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Listed					
Enterprise bonds A	3 March 2014	1,200,000	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,100,000	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	1,000,000	5.26%	5.44%	26 October 2022

Debentures A, B, C, D, E, F and G were issued to various independent third parties according to the approvals issued by NAFMII, while enterprise bonds A, B and C were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange.

According to the terms and conditions of enterprise bonds A, the interest rate of the enterprise bonds is 8.69% per annum for the five years, up to 3 March 2019. At the end of the fifth year, on 3 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

According to the terms and conditions of enterprise bonds B, the interest rate of the enterprise bonds is 7.45% per annum for the three years, up to 21 August 2017. At the end of the third year and fifth year, on 21 August 2017 and 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

27. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

According to the terms and conditions of enterprise bonds C, the interest rate of the enterprise bonds is 5.26% per annum for the four years, up to 26 October 2019. At the end of the fourth year, on 26 October 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

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

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

	2015 **RMB'000**	2014 RMB'000
Within one year	**–**	1,500,000
In the second to fifth year	**8,645,494**	6,742,686
Over five years	**3,260,277**	–
	11,905,771	8,242,686

28. GUARANTEED NOTES

	2015 **RMB'000**	2014 RMB'000
Guaranteed notes	**4,505,961**	4,246,601

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

28. GUARANTEED NOTES (Continued)

According to the terms and conditions of the 2017 Guaranteed Notes, at any time or from time to time prior to the maturity date, the notes may/will be redeemed at a redemption price set forth below.

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

Notes:

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

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

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

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

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

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

28. GUARANTEED NOTES (Continued)

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

According to the terms and conditions of the 2018 Guaranteed Notes, at any time or from time to time prior to the maturity date, the notes may/will be redeemed at a redemption price set forth below.

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

Notes:

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

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

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

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

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

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

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

29. CONVERTIBLE BONDS

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

The principal terms of the Convertible Bonds are as follows:

(a) Conversion option

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

A final dividend of HK32 cents per share for the year ended 31 December 2011 was approved in the annual general meeting in May 2012. In accordance with the terms and conditions of the Convertible Bonds set out in the offering circular of the Company, as a result of the declaration of such dividend, the Conversion Price was adjusted from HK$7.27 per Share to HK$6.81 per Share with effect from 24 May 2012, being the business day immediately after the record date in connection with such declaration.

A final dividend of HK26 cents per share for the year ended 31 December 2012 was approved in the annual general meeting in May 2013. In accordance with the terms and conditions of the Convertible Bonds set out in the offering circular of the Company, as a result of the declaration of such dividend, the Conversion Price was adjusted from HK$6.81 per Share to HK$6.33 per Share with effect from 27 May 2013, being the business day immediately after the record date in connection with such declaration.

As disclosed in note 12 to the financial statements, a final dividend of HK27 cents per share for the year ended 31 December 2013 was approved in the annual general meeting in May 2014. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$6.33 to HK$5.98 effective from 9 June 2014.

As disclosed in note 12 to the financial statements, a final dividend of HK28 cents per share for the year ended 31 December 2014 was approved in the annual general meeting in May 2015. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$5.98 to HK$5.56 effective from 8 June 2015.

29. CONVERTIBLE BONDS (Continued)

(b) Redemption

– ***Redemption at maturity***

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

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

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

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

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

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

The Convertible Bonds comprised of two components:

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

(ii) Derivative component comprise:

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

29. CONVERTIBLE BONDS (Continued)

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

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

	Conversion date RMB'000 (Note)	**At 31 December 2014** RMB'000
Stock price	HK$ 7.17-HK$ 8.29	HK$5.23
Exercise price	HK$ 5.56-HK$ 5.98	HK$5.98
Risk-free rate	0.528%-0.644%	0.770%
Expected life	1.28 years	2.28 years
Volatility	38.34%-40.17%	30.78%

Notes:

The risk free rates were determined with reference to the Hong Kong Exchange Fund Notes Yields. The expected life was estimated based on the terms of the Convertible Bonds. The volatilities were determined based on the historical price volatilities of the Company.

Any changes in the major inputs in the model may result in changes in the fair value of the derivative component.

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

29. CONVERTIBLE BONDS (Continued)

	Liability component RMB'000	Embedded financial derivative RMB'000	Total RMB'000
As at 31 December 2013	750,001	67,554	817,555
Interest charged during the year (note 6)	107,395	–	107,395
Interest paid during the year	(59,953)	–	(59,953)
Changes in fair value during the year	–	17,034	17,034
As at 31 December 2014 and 1 January 2015	797,443	84,588	882,031
Interest charged during the year (note 6)	46,672	–	46,672
Interest paid during the year	(38,509)	–	(38,509)
Changes in fair value during the year	–	209,932	209,932
Derecognition of convertible bonds	(805,606)	(294,520)	(1,100,126)
As at 31 December 2015	**–**	**–**	**–**

According to the Condition 8(C) of the terms and conditions of the Bonds set out in the offering circular of the Company ("Terms and Conditions"), in relation to the issue of the US$150,000,000 6.5% Convertible Bonds due in 2017, the conversion period of the Convertible Bonds issued by the Company commenced on 21 May 2012. During the conversion period and at any time after 10 April 2015, on giving notice of not less than 30 nor more than 90 days to the trustee and the holders of the Convertible Bonds, the Company may redeem all, but not some only, of the Convertible Bonds for the time being outstanding at a redemption price equal to their principal amount together with accrued but unpaid interest to the date fixed for redemption, provided that the closing price of the shares, translated into US$ at the prevailing exchange rate applicable to the relevant Stock Exchange Business Day, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published is at least 130% of principal amount of the Convertible Bonds divided by the Conversion Ratio.

From 17 April 2015 to 1 June 2015, the closing prices of the Shares of the Company for 20 trading days out of 30 consecutive trading days, translated into US$ at the prevailing exchange rate applicable to the relevant Stock Exchange Business Day, have been higher than 130% of the principal amount of the Convertible Bonds divided by the Conversion Ratio as calculated pursuant to the Terms and Conditions, which has triggered the redemption clause of the Convertible Bonds.

Pursuant to Condition 6(A)(i) of the Terms and Conditions, conversion rights of the remaining holders attaching to any Convertible Bond might be exercised, at the option of the holders, until the close of business on 23 June 2015 (which was the date no later than 10 days prior to the Redemption Date).

The Company has served notice to the Trustee and holders of the Convertible Bonds to redeem all outstanding Convertible Bonds on 3 July 2015 at a redemption price equal to the principal amount of the Convertible Bonds, together with accrued but unpaid interest up to such date. Due to the fact that the redemption price was lower than that of the conversion price, the holders of the Convertible Bonds executed the conversion rights, and all Convertible Bonds have been converted into shares during the year.

Up to 31 December 2015, there were no outstanding Convertible Bonds.

30. OTHER NON-CURRENT LIABILITIES

	2015 RMB'000	2014 RMB'000
Government Grants	**52,490**	–

31. ISSUED CAPITAL

	2015 US$	2014 US$
Authorised:		
10,000,000,000 ordinary shares of US$0.01 each	**100,000,000**	100,000,000
Issued and fully paid:		
6,368,215,810 (2014: 6,160,880,000) ordinary shares of US$0.01 each	**63,682,158**	61,608,800

A summary of movements in the Company's issued capital is as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium RMB'000	Total RMB'000
At 1 January 2014	5,885,000,000	386,206	4,832,946	5,219,152
Issuance of shares (note (a))	275,880,000	16,946	1,336,490	1,353,436
Share issue expenses (note (a))	–	–	(14,997)	(14,997)
At 31 December 2014 and 1 January 2015	**6,160,880,000**	**403,152**	**6,154,439**	**6,557,591**
Conversion of bonds (note (b))	**207,335,810**	**12,682**	**1,087,444**	**1,100,126**
At 31 December 2015	**6,368,215,810**	**415,834**	**7,241,883**	**7,657,717**

Notes:

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

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

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

(b) As stated in note 29 to the financial statements, the Convertible Bonds have been fully converted at the conversion price to 207,335,810 shares of the Company in current year. The carrying amount of Convertible Bonds, net of the par value of the shares, of RMB1,087,444,000 has been recognised as share premium.

The Company does not have any share option scheme.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year ended 31 December 2015.

The capital structure of the Group consists of net debt, which comprising the bank borrowings, other borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and the convertible bonds as disclosed in notes 25, 25, 26, 27, 28 and 29 to the financial statements, and cash and cash equivalents and equity attributable to owners of the parent, comprising issued share capital as disclosed in note 31 to the financial statements, share premium and reserves in the consolidated statement of financial position.

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

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables		
Investments in associates – loans to an associate	**292,212**	–
Trade receivables	**1,052,939**	335,664
Bills receivable	**7,503,961**	2,466,183
Financial assets included in prepayments and other receivables	**151,340**	151,462
Restricted bank deposits	**601,417**	829,789
Cash and cash equivalents	**8,488,534**	7,676,335
	18,090,403	11,459,433
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables	**5,754,305**	2,427,058
Financial liabilities included in other payables and accruals	**9,138,203**	6,765,145
Dividends payable	**–**	1
Bank borrowings – due within one year	**11,911,430**	7,663,730
Other borrowings – due within one year	**75,000**	160,000
Short-term debentures and notes	**14,000,000**	7,000,000
Medium-term debentures and bonds – due within one year	**–**	1,500,000
Convertible bonds – liability component	**–**	797,443
Bank borrowings – due after one year	**11,465,162**	11,820,722
Other borrowings – due after one year	**–**	75,000
Medium-term debentures and bonds – due after one year	**11,905,771**	6,742,686
Guaranteed notes	**4,505,961**	4,246,601
Financial liabilities at fair value through profit or loss		
Convertible bonds – derivative component	**–**	84,588
	68,755,832	49,282,974

34. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk

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

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

Foreign currency risk management

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

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

	2015 **RMB'000**	2014 RMB'000
Assets		
US$		
Loans to an associate	**292,212**	–
Other receivables	**354,248**	–
Bank balances and cash	**151,328**	734,293
HK$		
Other receivables	**1,391**	–
Bank balances and cash	**61,678**	4,976
Indonesia Rupiah ("IDR")		
Other receivables	**1,180**	6,309
Bank balances and cash	**1,836**	8,104

34. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Foreign currency risk management (Continued)

	2015 RMB'000	2014 RMB'000
Liabilities		
US$		
Trade payables	**453,154**	150,833
Other payables	**90,918**	–
Bank borrowings	**14,094,592**	9,786,943
Convertible bonds-liability component	**–**	797,443
Guaranteed notes	**4,505,961**	4,246,601
HK$		
Bank borrowings	**–**	1,089,498
IDR		
Trade payables	**12**	–
Other payables	**2,168**	2,852

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% (2014: 5%) in the exchange rates of RMB against the foreign currencies listed above. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. 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.

	2015 RMB'000	2014 RMB'000
Increase (decrease) in profit for the year		
if RMB weakens against		
US$	**(737,295)**	(557,008)
HK$	**2,660**	(45,280)
IDR	**31**	434
if RMB strengthens against		
US$	**737,295**	557,008
HK$	**(2,660)**	45,280
IDR	**(31)**	(434)

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (Continued)

Interest rate risk management

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

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

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

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period was outstanding for the whole year. A 25 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 25 basis points higher/lower and all other variables were held constant:

	2015 **RMB'000**	2014 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(41,134)**	(12,324)
As a result of decrease in interest rate	**41,134**	12,324

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

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk

The Group's credit risk is primarily attributable to its loans to associates, trade receivables, bills receivable, other receivables, restricted bank deposits and bank balances. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the 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 concentration of credit risk in respect of trade receivable as the Group's largest trade receivable amounted to RMB709,868,000 and RMB61,853,000 and represented 67% and 18% of the total trade receivables respectively as at 31 December 2015 and 2014 and the Group's five largest trade receivables amounted to RMB965,529,000 and RMB232,528,000 and represented 92% and 69% of the total trade receivables respectively as at 31 December 2015 and 2014.

The Group has concentration of credit risk in respect of bank's acceptance bills receivable as the Group's largest bills receivable from bank amounted to RMB899,968,000 (2014:RMB326,944,000), and represented 12% (2014: 13%) of the total bills receivable as at 31 December 2015. In addition, the Group's bills receivable from the top five major banks amounted to RMB2,694,148,000 (2014:RMB1,438,740,000) and represented 36% (2014: 58%) of the total bills receivable as at 31 December 2015.

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

34. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management

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

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

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

34. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2015						
Non-derivative financial liabilities						
Fixed-rate bank borrowings	**2,822,728**	**1,367,842**	**620,136**	**2,440,988**	**–**	**7,251,694**
Floating-rate bank borrowings	**4,818,502**	**3,684,777**	**3,412,536**	**5,896,695**	**–**	**17,812,510**
Other borrowings	**75,000**	**–**	**–**	**–**	**–**	**75,000**
Short-term debentures and notes	**9,392,258**	**5,199,100**	**–**	**–**	**–**	**14,591,358**
Medium-term debentures and bonds	**531,180**	**217,050**	**748,230**	**10,081,890**	**3,591,430**	**15,169,780**
Trade and bills payables	**5,754,305**	**–**	**–**	**–**	**–**	**5,754,305**
Other payables	**9,138,203**	**–**	**–**	**–**	**–**	**9,138,203**
Guaranteed notes	**165,993**	**165,993**	**2,830,398**	**2,015,045**	**–**	**5,177,429**
At 31 December 2014						
Non-derivative financial liabilities						
Fixed-rate bank borrowings	1,281,242	1,142,598	1,201,045	1,635,521	–	5,260,406
Floating-rate bank borrowings	2,447,103	3,649,872	4,456,658	5,356,845	–	15,910,478
Other borrowings	67,278	104,438	77,663	–	–	249,379
Short-term debentures and notes	3,182,899	4,094,121	–	–	–	7,277,020
Medium-term debentures and bonds	271,780	1,766,029	454,228	7,407,506	–	9,899,543
Dividends payable	1	–	–	–	–	1
Trade payables	2,427,058	–	–	–	–	2,427,058
Other payables	6,765,145	–	–	–	–	6,765,145
Convertible bonds	29,830	29,830	59,660	934,032	–	1,053,352
Guaranteed notes	160,088	160,088	320,177	4,554,604	–	5,194,957

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

34. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value measurements of financial instruments

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

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

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

	31 December 2015		31 December 2014	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Listed				
Medium-term bonds due after one year	**3,260,277**	**3,417,138**	2,264,932	2,463,000
Unlisted				
Medium-term bonds due after one year	**8,645,494**	**8,973,506**	4,477,754	4,785,954
Medium-term debentures due within one year	**–**	**–**	1,500,000	1,507,361
Guaranteed notes	**4,505,961**	**4,689,619**	4,246,601	4,190,891
Convertible bonds – liability component	**–**	**–**	797,443	–
Bank borrowings – due after one year	**11,465,162**	**11,459,941**	11,820,722	11,428,976

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, bills receivables, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, borrowings – due within one year, short-term debentures and notes approximate to their carrying amounts largely due to the short term maturities of these instruments.

34. FINANCIAL INSTRUMENTS (Continued)

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

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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities for which fair values are disclosed

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	**3,417,138**	**–**	**–**	**3,417,138**
Medium-term bonds due after one year – unlisted	**–**	**8,973,506**	**–**	**8,973,506**
Guaranteed notes	**–**	**4,649,619**	**–**	**4,649,619**
Bank borrowings due after one year	**–**	**11,459,941**	**–**	**11,459,941**
	3,417,138	**25,083,066**	**–**	**28,500,204**

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	2,463,000	–	–	2,463,000
Medium-term bonds due after one year – unlisted	–	4,785,954	–	4,785,954
Medium-term debentures due within one year	–	1,507,361	–	1,507,361
Guaranteed notes	–	4,190,891	–	4,190,891
Convertible bonds	–	797,443	–	797,443
Bank borrowings due after one year	–	11,428,976	–	11,428,976
	2,463,000	22,710,625	–	25,173,625

34. FINANCIAL INSTRUMENTS (Continued)

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of listed medium-term bonds due after one year is included in Level 1 of the fair value hierarchy. The fair value of the financial liabilities included in Level 1 above has been determined using the quoted bid prices in an active market.

- The fair value of unlisted medium-term bonds, guaranteed notes, convertible bonds and bank borrowings due after one year are included in Level 2 of the fair value hierarchy. The fair values of the financial liabilities included in the Level 2 category above have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss:				
– Convertible bonds-derivative component	–	–	–	–

34. FINANCIAL INSTRUMENTS (Continued)

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

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

As at 31 December 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss:				
– Convertible bonds-derivative component	–	–	84,588	84,588

The fair value of the derivative component of the convertible bonds is derived by deducting the fair value of the liability component from the fair value of Convertible Bonds as a whole which is calculated using Binomial Option Pricing Model.

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

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

During the year, the Group had no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

34. FINANCIAL INSTRUMENTS (Continued)

(f) Reconciliation of Level 3 fair value measurements

	Convertible Bonds derivative component RMB'000
At 1 January 2014	67,554
Changes in fair value during the year (note 29)	17,034
At 31 December 2014	84,588
Changes in fair value during the year (note 29)	209,932
Derecognition of redeemable convertible loan	(294,520)
At 31 December 2015	–

Changes in fair value during the year amounting to RMB209,932,000 (2014: RMB17,034,000) relates to derivative component of Convertible Bonds issued by the Group which were fully converted during the year.

Fair value measurements and valuation process

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

35. ACQUISITION OF A SUBSIDIARY

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

Consideration transferred:

	RMB'000
Cash consideration paid	1,896,279

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

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

35. ACQUISITION OF A SUBSIDIARY (Continued)

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

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

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

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

Net cash outflow arising on acquisition:

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

36. PLEDGE OF ASSETS

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

	2015 RMB'000	2014 RMB'000
Restricted bank deposits (note 22)	**601,417**	829,789
Bills receivable (note 20)	**–**	359,672
Land use rights (note 14)	**–**	30,621
Property, plant and equipment (note 13)	**326,900**	356,468
	928,317	1,576,550

37. OPERATING LEASES

The Group as lessee

	2015 RMB'000	2014 RMB'000
Minimum lease payments paid under operating leases for premises	**5,701**	3,178

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:

	2015 RMB'000	2014 RMB'000
Within one year	**4,684**	6,211
In the second to fifth year inclusive	**1,233**	5,751
	5,917	11,962

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 term of two years.

38. COMMITMENTS

	2015 RMB'000	2014 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	**6,374,696**	9,926,006
– Authorised but not contracted for	**11,388,467**	12,080,188
	17,763,163	22,006,194
Capital expenditure in respect of acquisition of a company:		
– Authorised but not contracted for (note)	**–**	666,359

Note: on 29 May 2014, the Company entered into a memorandum of understanding with a company organised under the laws of Bermuda (the "Target Company") and its existing shareholders, and Winning Logistics (Africa) Company Limited (together with the Company as "Consortium"). The Target Company is primarily engaged in bauxite mining business in the Republic of Guinea. The Consortium has expressed its intention to acquire the entire issued shares of Target Company (or if applicable, a holding company to be established by itself or its affiliates (the "Proposed Acquisition")) at a proposed consideration of US$121 million. The Proposed Acquisition was cancelled during the year of 2015, leading to commitments of nil of capital expenditure in respect of acquisition of a company in 2015.

39. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Name and relationship with related parties

Name	Relationship
山東魏橋創業集團有限公司 ("Chuangye Group") (note i)	note ii
濱州魏橋鋁業科技有限公司 ("Aluminum Technology") (note i)	Controlled by Chuangye Group
濱州魏橋科技工業園有限公司 ("Binzhou Industrial Park")(note i)	Controlled by Chuangye Group
沾化金沙供水有限公司 ("Jinsha Water Supply") (note i)	An associate of Chuangye Group
ABM	An associate of a wholly-owned subsidiary of the Company
WAP	An associate of a wholly-owned subsidiary of the Company

Notes:

i. The English names of the above companies are for reference only.

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

39. RELATED PARTY TRANSACTIONS (Continued)

(b) The Group has entered into the following significant transactions with its related party during the two years ended 31 December 2015:

	2015 RMB'000	2014 RMB'000
Purchases of carbon anode blocks		
– Aluminum Technology	**244,292**	318,747
Purchases of water		
– Jinsha Water Supply	**5,676**	–
Purchases of bauxite		
– ABM	**179,646**	–
Sales of slag of carbon anode blocks		
– Aluminum Technology	**14,847**	28,149
Sales of steam		
– Binzhou Industrial Park	**13,592**	–
Loans to an associate		
– WAP	**292,212**	–

(c) Compensation of key management personnel

	2015 RMB'000	2014 RMB'000
Short term employee benefit	**5,654**	6,078
Retirement benefits scheme contributions	**49**	54
	5,703	6,132

Further details of the directors' and chief executive's emoluments are included in note 8 to the financial statements.

39. RELATED PARTY TRANSACTIONS (Continued)

(d) Guarantees and security

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

	2015 RMB'000	2014 RMB'000
Chuangye Group	**450,000**	550,000

(e) Balances with related parties

	At 31 December 2015 RMB'000	At 31 December 2014 RMB'000
Loans to an associate		
WAP	**292,212**	–
Trade payables		
ABM	**116,445**	–
Jinsha Water Supply	**1,233**	–
Aluminum Technology	**–**	3,224

40. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche), and the offering size of corporate bonds was RMB3,000,000,000, among which, the offering size of corporate bonds with term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year) was RMB2,000,000,000, carrying interest of 4.10% per annum; the offering size of 5-year corporate bonds was RMB1,000,000,000, carrying interest of 4.88% per annum.

On 28 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (second tranche), the offering size of corporate bonds was RMB1,800,000,000, for a term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year), carrying interest of 4.50% per annum.

On 18 February 2016, the Company completed the rights issue of 891,550,213 rights shares at the subscription price of HK$4.31 per rights share on the basis of 7 rights shares for every 50 shares held on the record date. For details of the rights issue, please refer to the announcements of the Company dated 8 January 2016, 22 January 2016 and 17 February 2016, respectively. The net proceeds from the rights issue is HK$3,829,102,000, among which, 80% will be applied as the working capital of the Group, and the remaining 20% of the net proceeds will be used to repay certain loans of the Group.

On 25 February 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (third tranche), the offering size of corporate bonds was RMB1,200,000,000, for a term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year), carrying interest of 4.04% per annum.

On 11 March 2016, Weiqiao Aluminum & Power completed the issuance of 2016 domestic corporate bonds (first tranche), the offering size of corporate bonds was RMB4,000,000,000, among which, the offering size of corporate bonds with term of 3+2-year (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back after the end of the third year) was RMB3,500,000,000, carrying interest of 4.27% per annum; the offering size of 5-year corporate bonds was RMB500,000,000, carrying interest of 4.83% per annum.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**429**	506
Investments in subsidiaries		**10,300,662**	9,724,837
Amounts due from subsidiaries		**13,151,529**	8,724,817
TOTAL NON-CURRENT ASSETS		**23,452,620**	18,450,160
CURRENT ASSETS			
Prepayment and other receivables		**94,095**	93,873
Cash and cash equivalents		**13,088**	25,570
Amounts due from subsidiaries		**32,468**	–
TOTAL CURRENT ASSETS		**139,651**	119,443
CURRENT LIABILITIES			
Other payables		**47,340**	5,654
Dividends payable		**–**	1
Convertible bonds – liability component		**–**	797,443
Convertible bonds – derivative component		**–**	84,588
Amounts due to subsidiaries		**2,361,920**	–
TOTAL CURRENT LIABILITIES		**2,409,260**	887,686
NET CURRENT LIABILITIES		**(2,269,609)**	(768,243)
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,183,011**	17,681,917
NON-CURRENT LIABILITIES			
Amount due to a subsidiaries		**1,378,060**	2,109,507
Bank borrowings – due after one year		**3,768,990**	378,454
Guaranteed notes		**4,505,961**	4,246,601
TOTAL NON-CURRENT LIABILITIES		**9,653,011**	6,734,562
NET ASSETS		**11,530,000**	10,947,355
EQUITY			
Issued capital (note)		**415,834**	403,152
Reserves (note)		**11,114,166**	10,544,203
TOTAL EQUITY		**11,530,000**	10,947,355

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's issued capital and reserves are as follows:

	Number of shares in issue	Issued capital RMB'000	Share premium RMB'000	Special reserve* RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2014	5,885,000,000	386,206	4,832,946	3,193,854	1,418,010	9,831,016
Issuance of shares	275,880,000	16,946	1,336,490	–	–	1,353,436
Share issue expenses	–	–	(14,997)	–	–	(14,997)
Profit and total comprehensive income for the year	–	–	–	–	1,039,129	1,039,129
Dividend recognised as distribution	–	–	–	–	(1,261,229)	(1,261,229)
At 31 December 2014 and 1 January 2015	**6,160,880,000**	**403,152**	**6,154,439**	**3,193,854**	**1,195,910**	**10,947,355**
Issuance of shares	**207,335,810**	**12,682**	**1,087,444**	**–**	**–**	**1,100,126**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**850,476**	**850,476**
Dividend recognised as distribution	**–**	**–**	**–**	**–**	**(1,367,957)**	**(1,367,957)**
At 31 December 2015	**6,368,215,810**	**415,834**	**7,241,883**	**3,193,854**	**678,429**	**11,530,000**

* Special reserve represented capitalisation of amount due to a related party in prior year.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 March 2016.