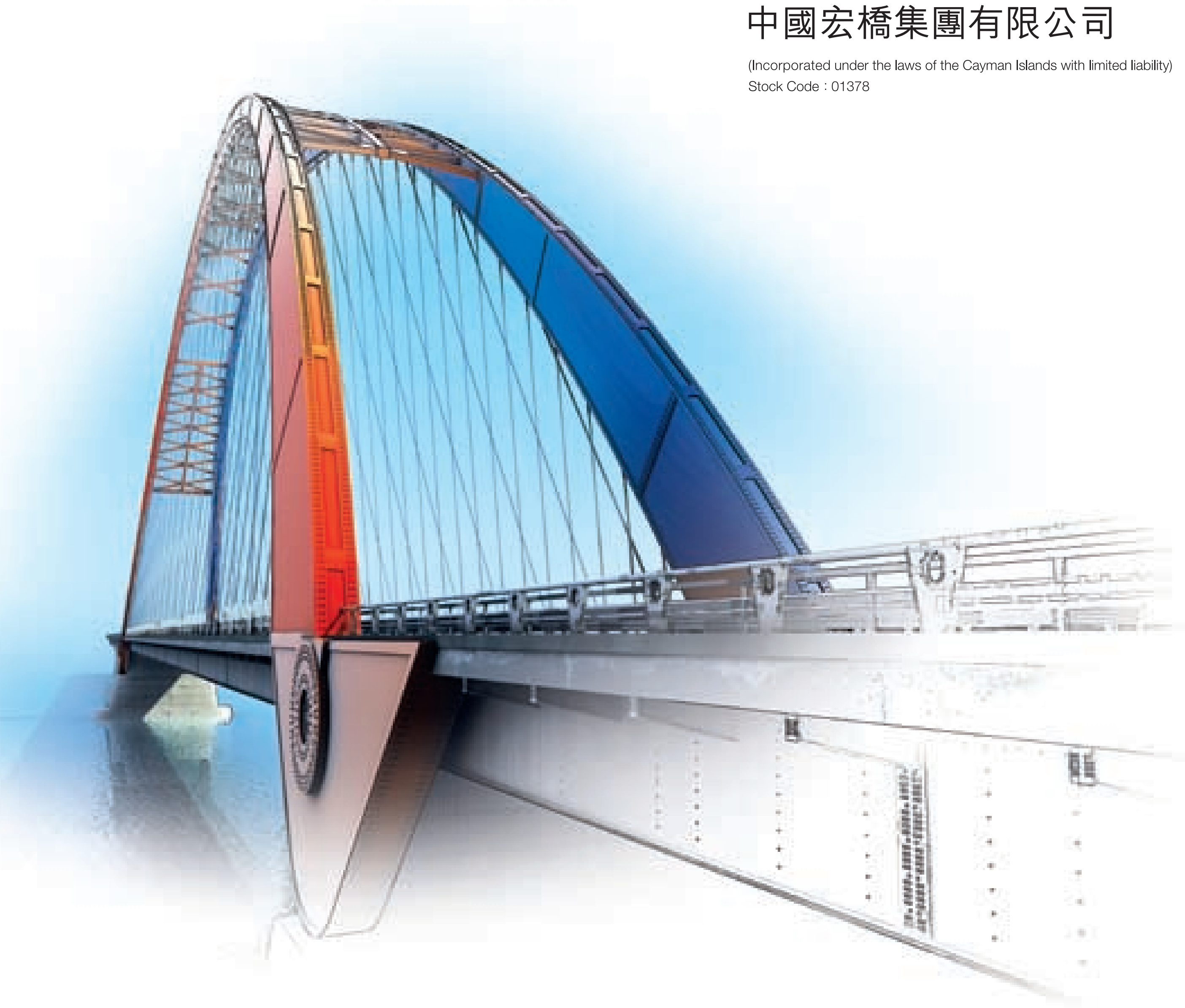
China Hongqiao Group Limited
中國宏橋集團有限公司

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



ANNUAL REPORT 2013

Contents

Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December (RMB'000)				
	2009	2010	2011	2012	**2013**
Continuing operations					
Revenue	8,668,428	15,131,591	23,626,031	24,804,742	**29,404,462**
Gross profit	899,330	5,741,869	8,176,386	8,003,448	**8,142,802**
Gross profit margin (%)	10.4	37.9	34.6	32.3	**27.7**
Profit before income tax	774,007	5,584,584	7,953,871	7,400,553	**7,379,395**
Continuing and discontinued operations					
Net profit attributable to shareholders of the Company	556,289	4,195,738	5,875,410 [1]	5,452,592 [1]	**5,592,675** [1]
Net profit margin (%)	6.5	27.9	24.9	22.0	**19.0**
Basic earnings per share (RMB)	0.11	0.84	1.03	0.93	**0.95**

Assets and liabilities

	As at 31 December (RMB'000)				
	2009	2010	2011	2012	**2013**
Total assets	11,387,261	13,345,696	29,669,048	44,376,717	**65,178,536**
Equity	3,147,491	7,302,541	18,397,034	22,337,897	**26,882,545**
Total liabilities	8,239,770	6,043,155	11,272,014	22,038,820	**38,295,991**
Return on equity[2] (%)	19.8	80.8	45.7	26.8	**22.7**
Current ratio[3] (%)	47	236	151	123	**102**
Accounts receivable turnover[3] (days)	2	1	1	1	**1**
Inventory turnover[3] (days)	30	32	36	55	**114**
Accounts payable turnover[3] (days)	33	21	22	25	**27**

Note:

1 The Company had no discontinued operations since 2011.

2 Calculated based on average equity.

3 Calculated exclusive of those held for sale.

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen

JOINT COMPANY SECRETARIES

Zhang Yuexia
Ho Wing Yan

AUDIT COMMITTEE

Han Benwen *(Chairman)*
Xing Jian
Chen Yinghai

NOMINATION COMMITTEE

Xing Jian *(Chairman)*
Zhang Shiping
Han Benwen

REMUNERATION COMMITTEE

Han Benwen *(Chairman)*
Zhang Shiping
Xing Jian

AUTHORISED REPRESENTATIVES

Zhang Bo
Zhang Yuexia

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

PLACE OF BUSINESS IN HONG KONG

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HEAD OFFICE IN THE PRC

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CAYMAN ISLANDS REGISTERED OFFICE

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Cayman Islands

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
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Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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STOCK CODE

1378

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 31 DECEMBER 2013

5,885,000,000

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

Weber Shandwick

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Address:	10th Floor, Oxford House Taikoo Place 979 King's Road Quarry Bay Hong Kong

FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
14 March 2014

ANNUAL GENERAL MEETING

16 May 2014

EXPECTED DATE OF FINAL DIVIDEND PAYMENT

27 June 2014

To all of our honourable shareholders,

It is my pleasure to present, on behalf of the board (the "Board") of directors (the "Directors") of China Hongqiao Group Limited (the "Company" or "China Hongqiao"), the annual results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2013 (the "Year" or the "Period under Review").

ACTIVELY AND ENERGETICALLY ENGAGED IN DEVELOPMENT

Despite the signs of recovery shown by the overall global economy in 2013, there were still uncertainties in the development of China's aluminum industry, presenting a number of challenges in China's aluminum industry.

A stable growth in demand of the aluminum product was evident in China, yet the overall aluminum market was still faced with the problem of oversupply caused by the release of new production capacity in Northwest China and because of various factors including overcapacity, China's aluminum product price was suppressed throughout the year. In addition, the Republic of Indonesia ("Indonesia") implemented a complete prohibition of exporting 65 kinds of raw ore materials, including bauxite, with effect from 12 January 2014. The recent export ban on bauxite in Indonesia which increase the transportation cost and the global bauxite price, may adversely affect China's aluminum product manufacturers. The Group will continue to proactively expand bauxite procurement channels to relieve the pressure on increasing production cost caused by the export restrictions on bauxite by Indonesia, and to ensure the stable production and operation of the Group.

The stable development of the Group was not significantly and adversely affected by the uncertainties in the overall economy environment. During the Year, the Group leveraged on its proactive development strategies to maintain the continuous expansion of production and operational scale. The Group also capitalized its competitive business model to vigorously enhance its industry position centered on the "Integration of Aluminum and Electricity", as well as the "Integration of Upstream and Downstream Business". The Group has not only realized another breakthrough in development, but also presented the vigorous and energetic enterprise spirit of the Group.

RESULTS AND PERFORMANCE

During the Year, despite the uncertainties in China's aluminium market, the Group insisted on its active business development strategy to further expand production capacity, which not only enabled the Group to achieve satisfactory results but also consolidated the Group's leading position in China's aluminum market. As of 31 December 2013, the Group's total designed annual production capacity of aluminum products was approximately 2,956,000 tons (31 December 2012: approximately 2,016,000 tons) representing a production capacity growth of approximately 46.6% as compared with the corresponding period of previous year, ranking as the third largest aluminum product manufacturer in China (enterprise ranking source: Antaike). Moreover, the Group also committed to enhance its cost advantage and core competiveness. On one hand, the Group continued to expand the scale of its co-generating captive power plants, with the aggregate installed capacity of 4,380MW as of 31 December 2013, which guaranteed the stable energy supply of the Group. On the other hand, with the Group's expanding procurement channels of raw materials and establishing closer cooperation with downstream customers, the unique industry cluster model has become another important pillar of the Group in maintaining its industry leading position in the future.

During the Period under Review, the Group's revenue amounted to approximately RMB29,404,462,000, representing a year-on-year increase of approximately 18.5%. The gross profit amounted to approximately RMB8,142,802,000, representing a year-on-year increase of approximately 1.7%. Net profit attributable to owners of the Company amounted to approximately RMB5,592,675,000, representing a year-on-year increase of approximately 2.6%. Basic earnings per share were approximately RMB0.95 (2012: approximately RMB0.93). The Board recommended the payment of a final dividend of HK$27.0 cents per share for the year of 2013 (2012: HK$26.0 cents per share).

LOOKING FORWARD TO THE DEVELOPMENT IN CHINA'S ALUMINUM MARKET

The Group saw positive signs in the future development of China's aluminum industry. The convene of the Third Plenary Session of the 18th Central Committee of the Communist Party of the PRC (the "Third Plenary Session of the 18th Central Committee") has brought new expectations to the sustainability of China's economic development going forward. With the gradual introduction of new urbanization construction related industrial policies going forward, it is anticipated that there will be a new wave of growth for the consumption of aluminum products in China and new development opportunities for China's aluminum manufacturers.

During the Year, the PRC government promulgated various industrial policies closely related to the aluminum industry. In October 2013, the State Council of the PRC issued the "Guidelines for Addressing Severe Overcapacity" to emphasize the importance of improving the differential electricity pricing policy, strictly prohibiting the implementation of preferential tariff and measures by the local government, and stated that important progress in addressing severe overcapacity should be achieved within five years. In December 2013, the National Development and Reform Commission and Ministry of Industry and Information Technology of the PRC promulgated the "Notice of Implementing Tiered Tariff Policies (the "Tiered Tariff Policies") for Electrolytic Aluminum Enterprises" in China, determining that with effect from January 2014, the Tiered Tariff Policies will be implemented for the electricity utilized by electrolytic aluminum enterprises in which the tariff will be calculated on an annual basis and determined based on the actual consumption level of electrolytic aluminum enterprises in the previous year and the tariff will be set at different levels. Such policy further displayed the determination of the PRC government to persistently promote the consolidation of China's aluminum industry.

With the gradual consolidation of the industry, backward production capacity of high cost and high energy consumption will be phased out and it is expected that China's aluminum industry will achieve a healthier and more sustainable development track. Therefore, the Group remains cautiously optimistic toward the future development of China's aluminum industry.

COMPREHENSIVE LAYOUT TO ACHIEVE NEW PHASE OF DEVELOPMENT

During the Period under Review, the Group continued to expand its own power plant, which increased the competitive advantage of the Group in respect of the "Integration of Aluminum and Electricity". As of 31 December of 2013, the total installed capacity of the Group's power generators amounted to 4,380MW with a electricity self-supply ratio of approximately 66.2% on average.

While achieving a higher level of the "Integration of Aluminum and Electricity", the Group also devoted to the acceleration of the "Integration of Upstream and Downstream Business" and development of the Group's unique industry cluster. On one hand, in order to fulfill the increasing demand of downstream customers for the Group's aluminum products, the Group constantly enhanced the production capability of aluminum products. On the other hand, the Group actively expanded the procurement channels of bauxite, which is the upstream production raw material of alumina, by importing the bauxite from various places of origin including Indonesia, the Republic of India and Commonwealth of Australia. Besides a relatively sufficient bauxite reserve, the Group intends to expand its procurement scope to Africa at a proper timing in the future to acquire local inexpensive good quality bauxite.

The Group's alumina self-supplied ratio has reached approximately 62.5% on average during the Year. With the gradual increase in the Group's alumina self-supplied ratio, the Group will be able to further stablize the supply of raw materials.

As for the extension into downstream of industry chain, on one hand, the Group continuously explored the high-end aluminum processing industry to diversify its product portfolio. Supported by the cluster strength in local aluminum industry, the Group actively collaborated with many large-scale enterprises by entering future long-term strategic cooperative agreement including well-known companies in the sector so as to establish a unique and mutual beneficial development model. Such model would enable the Group to seek buyers in advance. With the expansion of industry cluster, it would play an increasingly significant role in promoting the future business development of the Group.

Great progress has also been made to the Group's overseas business development. The Group has established a joint venture for alumina production in Indonesia and is expected to commence production in 2015, with a designed capacity of 1,000,000 tons.

The Group was recognized by a number of external parties in the past year by virtue of its consistent outstanding performance. The Group was named one of the Asia's Fab 50 by Forbes Asia magazine, recognizing it as one of the most outstanding enterprises in Asia. In addition, the Group was included in the Hang Seng Composite Index, Hang Seng Global Composite Index and Hang Seng Natural Resources Index, which clearly indicated that the business performance and financial condition of the Group were recognized in the capital market. The general office of Shandong Provincial Government published the No. 37 document "Instruction for the Transformation and Upgrade of Six Traditional Industries of Shandong Province" and No. 41 document "Opinions on Shandong Provincial People's Government as to Implement the Government Policy [2013] No. 41 Document for Overcapacity" on 19 November 2013 and 14 February 2014, respectively, stating that it will encourage the development of leading backbone enterprises and support Shandong Weiqiao Aluminum and Power Co., Ltd., a wholly-owned subsidiary of the Company, to become a large enterprise group with complete aluminum industry chain.

GETTING READY TO LEAD THE FUTURE

2013 serves as a bridge between the past and future of the Group. The Group has not only achieved stable growth in performance, but also laid a solid foundation for its future development.

In 2013, the Group's industry model on the "Integration of Aluminum and Electricity" and the "Integration of Upstream and Downstream Business" were further reinforced. In the future, the Group will gradually expand its production scale according to the market demand, continuously enhance the Group's cost advantage and economies of scale, and further consolidate the Group's leading position in the aluminum industry by expanding and extending upstream and downstream business and by optimization of product structure. Following the establishment of closer cooperation with more high-end downstream production enterprises, the Group will definitely benefit from an optimized industry cluster continuously.

Despite the uncertainties in the prospects of China's aluminum industry business, the Group is confident in its business outlook. The Group will take proactive measures against potential future challenges. Looking into the future, the Group will continue to facilitate the industry model on the "Integration of Aluminum and Electricity" and the "Integration of Upstream and Downstream Business", actively grasp market opportunities with provision and optimize internal development environment, so as to bring fruitful rewards and returns to the shareholders.

APPRECIATION

The stable development of the Group's business could not be achieved without the excellent and efficient leadership of the Group's management, the trust and support from all of the shareholders, investors and business partners and the tireless efforts and dedication of all employees. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all of them.

Zhang Shiping
Chairman of the Board

14 March 2014

INDUSTRY REVIEW

During the Year, the global economy bid farewell to the consecutive downturns in the past few years and entered into a new phase of weak recovery and growth. In terms of the global aluminum industry, despite various foreign aluminum manufacturers had announced to cut production to alleviate the problem of overcapacity, the effect of which was not obvious. The global aluminum production capacity was actually in an expanding trend. While overcapacity was still faced by the aluminum industry, the aluminum price was constantly suppressed, maintaining a downward pattern in general. As of the beginning of January 2013, the three-month aluminum futures price quoted on the London Metal Exchange (the "LME") was approximately USD1,807 per ton, while the three-month aluminum futures price quoted on the Shanghai Futures Exchange (the "SHFE") was approximately RMB14,040 per ton (value-added tax inclusive). As of the end of December 2013, the three-month aluminum futures price quoted on the LME was approximately USD1,811 per ton, and the three-month aluminum futures price quoted on the SHFE was approximately RMB13,990 per ton (value-added tax inclusive). As of the end of February 2014, the three-month aluminum futures price quoted on the LME was approximately USD1,765 per ton, while the three-month aluminum futures price quoted on the SHFE was approximately RMB13,395 per ton (value-added tax inclusive).

In terms of China's domestic market, with the gradually commenced operation of the production capacity of aluminum products in Northwest China, the aluminum production volume in the domestic aluminum market recorded a month-by-month increase in the past year, leading to an oversupply in China's aluminium market and difficulties on production and operation for domestic aluminum manufacturers. However, it can be foreseen that for industry consolidation of China's aluminum industry will be promoted continuously and the backward production capacity of high cost and high energy consumption will be phased out by policies including the Tiered Tariff Policies. It is expected that China's aluminum industry will embark on a healthier and more sustainable development. In addition, after the convening of the Third Plenary Session of the 18th Central Committee, the construction of new urbanization and subsidised housing projects related new policies were highly expected by the market. And at the same time, the rapid development of downstream consumption areas such as automotive and transportation and the continued investment in industry such as infrastructure construction by the PRC government showed that there is still some room for the development of China's aluminum industry in the future.

According to Antaike, the global production volume of primary aluminum in 2013 was approximately 50,570,000 tons, representing an increase of approximately 6.3% as compared with that of 2012. The global consumption of primary aluminum in 2013 amounted to approximately 50,900,000 tons, representing an increase of approximately 7.8% when compared with that of 2012. For the domestic market, the production volume of primary aluminum in 2013 was approximately 24,900,000 tons, representing an increase of approximately 11.7% as compared with that of 2012. The consumption of primary aluminum in China in 2013 amounted to approximately 24,800,000 tons, representing an increase of approximately 13.0% as compared with that of 2012.

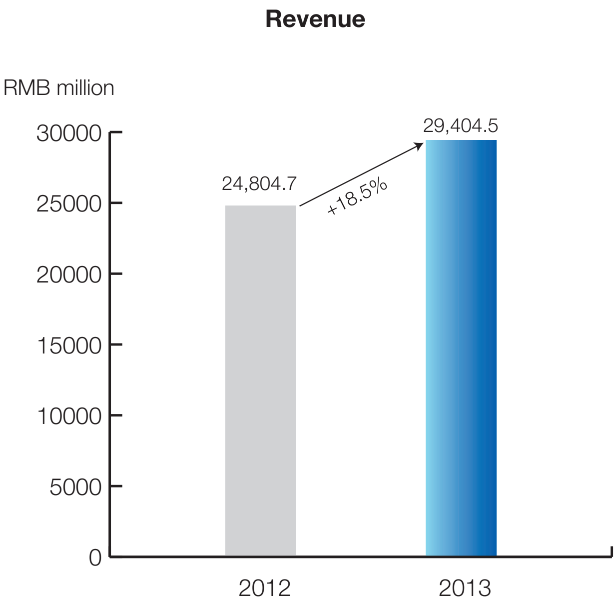
BUSINESS REVIEW

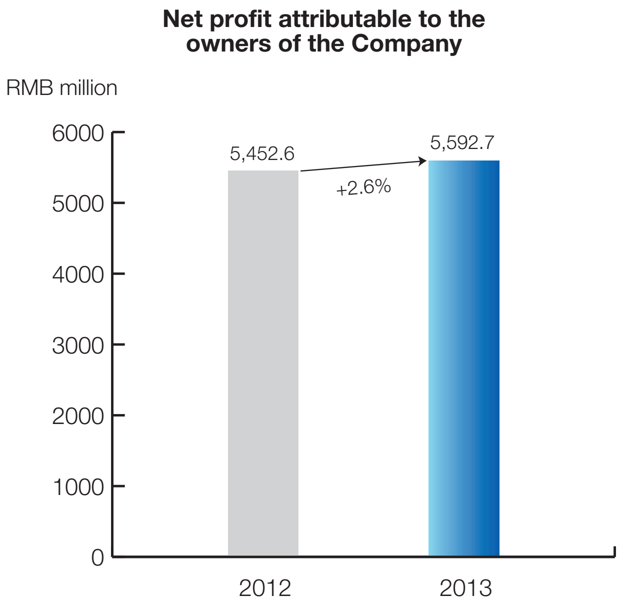
During the Year, the Group continued to maintain a stable expansion of production capacity of aluminum products and enhanced the unique industry cluster model of the Group by the extension of industry chain, expansion of self-operated power plant and strengthening the Group's unique industry cluster model so as to consolidate its leading position in the industry.

As of 31 December 2013, the Group's aggregate designed annual production capacity of aluminum products reached 2,956,000 tons (as of 31 December 2012: 2,016,000 tons), maintaining its position as the third largest aluminum product manufacturer in China (enterprise ranking source: Antaike).

Driven by the increasing downstream market demand, the Group's production volume of aluminum products in 2013 amounted to approximately 2,367,000 tons, representing a year-on-year increase of approximately 30.0%. Production volume of aluminum alloy processed products reached approximately 67,000 tons.

The Group's revenue and net profit attributable to the owners of the Company for the year ended 31 December 2013, with comparison figures for the year ended 31 December 2012, are as follows:





For the year ended 31 December 2013, the Group recorded revenue of approximately RMB29,404,462,000, representing a year-on-year growth of approximately 18.5%, mainly due to an increase in the Group's sales volumes of aluminum products and aluminum alloy processed products during the Year, production volume for 2013 reached approximately 2,385,550 tons, representing an increase of approximately 30.7% when compared to approximately 1,824,991 tons of the previous year. As affected by the change of the China's aluminum market price, the average selling price of our aluminum products decreased by approximately 7.9% from approximately RMB13,297 per ton (excluding value-added tax) in 2012 to approximately RMB12,252 per ton (excluding value-added tax) in 2013.

For the year ended 31 December 2013, net profit attributable to the owners of the Company amounted to approximately RMB5,592,675,000, representing a year-on-year increase of approximately 2.6%, mainly attributable to the increase in gross profit and other income resulting from the increase in the sales volume of the Group's aluminum products, of which the increase was narrowed by the growth of our expenses.

The table below is a comparison of the breakdown of revenue by products for the years ended 31 December 2013 and 31 December 2012:

Revenue breakdown by products

	For the year ended 31 December			
	2013		2012	
Products	**Revenue**	**Percentage of total revenue**	Revenue	Percentage of total revenue
	RMB'000	**%**	RMB'000	%
Molten aluminum alloy	**23,527,351**	**80.0**	17,161,788	69.2
Aluminum alloy ingots	**4,951,186**	**16.8**	6,768,728	27.3
Aluminum busbars	**21,572**	**0.1**	107,062	0.4
Aluminum alloy processed products	**727,512**	**2.5**	228,534	0.9
Steam	**176,841**	**0.6**	538,630	2.2
Total	**29,404,462**	**100.0**	24,804,742	100.0

As for revenue, the Group's revenue derived from aluminum products was approximately RMB29,227,621,000, accounting for approximately 99.4% of total revenue for the year ended 31 December 2013, 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 the sales volume increase which was driven by the demand increase from and within the aluminium industrial duster located in the Group's production base. Revenue derived from sales of steam was approximately RMB176,841,000, accounting for approximately 0.6% of our total revenue. The decrease in the revenue derived from sales of steam was mainly because of the Group using part of the steam during the process of the production of the major raw materials, thus the steam available for sale 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 derived from its major products for the years ended 31 December 2013 and 31 December 2012:

	For the year ended 31 December					
	2013			2012		
Products	**Revenue RMB'000**	**Gross profit RMB'000**	**Gross profit margin %**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Aluminum products	**29,227,621**	**8,077,708**	**27.6**	24,266,112	7,849,194	32.3
Steam	**176,841**	**65,094**	**36.8**	538,630	154,254	28.6
Total:	**29,404,462**	**8,142,802**	**27.7**	24,804,742	8,003,448	32.3

For the year ended 31 December 2013, the overall gross profit margin of the Group's products was approximately 27.7% and was decreased by approximately 4.6 percentage points as compared to approximately 32.3% for the corresponding period of the previous year. This was mainly due to the decrease in unit sale price of aluminum products during the Year as compared to the corresponding period of the previous year, resulting in a narrowed profit margin.

Distribution and selling expenses

The Group's distribution and sales expenses is approximately RMB60,128,000, increased by approximately 2.5% for the year ended 31 December 2013 when compared to approximately RMB58,667,000 for the corresponding period of the previous year. This was mainly attributable to the increase in sales volume of the Group's aluminum products, resulting in a corresponding increase in transportation costs.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2013 amounted to approximately RMB440,171,000, representing an increase of approximately 43.8% when compared to approximately RMB306,068,000 for the corresponding period of the previous year. Such an increase was mainly due to the fact that, on 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 and the increased issuance of the letter of credit for imported bauxite and production equipment, which caused an increase in bank commission charges.

Other expenses

For the year ended 31 December 2013, other expenses of the Group amounted to approximately RMB9,125,000, which was mainly due to the fees paid to the professional institutions engaged by the Group.

Finance costs

For the year ended 31 December 2013, finance costs of the Group were approximately RMB1,359,200,000, representing an increase of approximately 111.5% when compared to approximately RMB642,731,000 for the corresponding period of the previous year. This was mainly due to a significant 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 2013, cash and cash equivalents of the Group were approximately RMB6,362,070,000, representing a decrease of approximately 30.7% when compared to that of approximately RMB9,174,943,000 as of 31 December 2012, mainly due to more cash paid for the increased reserves of bauxite during the Year under Review to ensure the stable supply of raw materials of the Group.

For the year ended 31 December 2013, the Group had a net cash outflow from investing activities of approximately RMB14,765,095,000, a net cash inflow from financing activities of approximately RMB11,720,675,000 and a net cash inflow from operating activities of approximately RMB252,276,000.

For the year ended 31 December 2013, the capital expenditures of the Group amounted to approximately RMB15,360,946,000, mainly used for the expansion of its aluminum production capacity and the construction of advanced aluminum processing facilities, ancillary captive power facilities and alumina production plant in Indonesia.

As at 31 December 2013, the Group had a capital commitment of approximately RMB17,918,621,000, representing projects in respect of the capital expenditure for purchase of property, plant and equipment, which are primarily for the construction of the alumina production plant in Indonesia and the high-end aluminum processing facilities, as well as the production capacity expansion for aluminium products and the ancillary captive power facilities.

For the year ended 31 December 2013, the Group's average turnover days of trade receivables were approximately 1 day, maintained at the same level over the corresponding period of the previous year. It was mainly because the settlement method of the sales of the Group's aluminum alloy processed products is cash on delivery and the Group's customers granted certain credit period. Following the increase in sales volume of high-end aluminum processing products, the Group's trade receivables balance increased. However, the Group's trade receivables turnover period was still in a relatively low level.

For the year ended 31 December 2013, the Group's turnover days of inventory was approximately 114 days, representing an increase of approximately 59 days when compared to approximately 55 days for the corresponding period of the previous year, which was mainly due to, on one hand, the increase in the inventory of raw materials required for the Group's production, followed by the expansion of production scale of the Group and the increase in product categories due to the start-up operation of new production line for aluminum products and on the other hand, the Group increased its bauxite reserve to ensure the supply of raw materials.

Contingent liability

As of 31 December 2013, the Group has no contingent liability.

Income tax

The Group's income tax for 2013 amounted to approximately RMB1,792,946,000, decrease by approximately 8.0% when compared to approximately RMB1,947,961,000 for the corresponding period of the previous year, which was mainly attributable to the impact of the application of different tax rates by the Group's subsidiaries and an increased deferred tax credit of the Group.

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

Net profit attributable to owners of the Company was approximately RMB5,592,675,000 for the year ended 31 December 2013, representing an increase of approximately 2.6% when compared with to approximately RMB5,452,592,000 for the corresponding period in the previous year.

Basic earnings per share of the Company in 2013 were approximately RMB0.95 (2012: approximately RMB0.93).

Capital structure

The Group has built an appropriate liquidity risk management framework to secure its short-term, medium-term and long-term funding and to satisfy its liquidity risk management requirements. Cash and cash equivalents of the Group amounted to approximately RMB6,362,070,000 (31 December 2012: approximately RMB9,174,943,000) as of 31 December 2013 and were mainly deposited with commercial banks. As at 31 December 2013, the total liabilities of the Group amounted to approximately RMB38,295,991,000 (31 December 2012: approximately RMB22,038,820,000). Gearing ratio (total liabilities to total assets) was approximately 58.8% (31 December 2012: approximately 49.7%).

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 2013, approximately 26.6% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 73.4% were subject to floating interest rates.

The Group used part of its restricted bank deposits, overseas subsidiaries' shares, trade receivables, notes receivables, the equipment and prepaid lease payments as collateral for its bank borrowings to partially finance its daily operations and project construction. As of 31 December 2013, the Group's secured bank borrowings amounted to approximately RMB4,384,686,000 (31 December 2012: approximately RMB2,914,424,000).

The Group aims to maintain a balance between the continuity and flexibility of funds by employing bank loans. As of 31 December 2013, approximately 49.8% of the Group's bank borrowings will become due within one year.

As at 31 December 2013, the Group's bank borrowings were mainly denominated in Renminbi, US Dollars and Hong Kong Dollars for calculation, among which, Renminbi loans, US Dollar loans and Hong Kong Dollar loans accounted for approximately 41.0%, approximately 54.7% and approximately 4.3%, respectively, of the total bank borrowings. Cash and cash equivalents were mainly held in Renminbi, US Dollars and HK Dollars, among which approximately 9.6% of the cash and cash equivalents was held in US Dollars and approximately 0.1% of the cash and cash equivalents was held in HK Dollars.

Employee and remuneration policy

As at 31 December 2013, the Group had a total of 38,320 employees, increased by 9,024 employees when compared to that of the corresponding period of the previous year. As a result of the expansion of its production capacity during the Period under Review, the Group recruited additional staff to meet the needs of the Group's production and enrich our reserve of human resources simultaneously. During the Year, total staff costs amounted to approximately RMB1,565,692,000, representing approximately 5.3% of our revenue. The remuneration packages of the Group's employees include salary and various types of allowances.

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

Exposure to foreign exchange risk

The Group collected all 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 and borrowings are denominated in foreign currencies, we are exposed to certain risk of foreign exchange. As of 31 December 2013, our bank balances denominated in foreign currencies were approximately RMB620,236,000, and bank borrowings denominated in foreign currencies were approximately RMB11,346,333,000. For the year ended 31 December 2013, the Group recognized foreign exchange gain of approximately RMB311,078,000.

For the year ended 31 December 2013, the Group used financial instruments, being foreign currency forward contracts, for purposes of reducing exposure to fluctuation in foreign exchange rate. As at 31 December 2013, the derivative financial liability generated from the above foreign currency forward contracts was approximately RMB4,407,000.

Events after the period

Corporate Bonds

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

DIRECTORS

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

Name	Age	Position
ZHANG Shiping	67	Chairman and Executive Director
ZHENG Shuliang	67	Vice Chairman and Executive Director
ZHANG Bo	44	Chief Executive Officer and Executive Director
QI Xingli	49	Chief Financial Officer and Executive Director
YANG Congsen	44	Non-Executive Director
ZHANG Jinglei	37	Non-Executive Director
XING Jian	64	Independent Non-Executive Director
CHEN Yinghai	54	Independent Non-Executive Director
HAN Benwen	63	Independent Non-Executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 67, was appointed the Chairman and an Executive Director of our Company on 16 January 2011. He is the founder of our Group and joined Shardong Weiqiao Aluminum and Power Co. Ltd. (山東魏橋鋁電有限公司) ("Aluminum & Power") in December 2002 as a director. He has eight years' experience in aluminum industry since the commencement of aluminum business in 2006. He is responsible for the overall strategic planning of our Group. He graduated from Anhui College of Finance and Trading (安徽財貿學院) and obtained a diploma in cotton testing in December 1991. He is recognized as a qualified senior economist by the Shandong Economic Professional and Technical Title Senior Evaluating Committee (山東省經濟專業職務高級評審委員會) in 1989. Mr. Zhang Shiping has been the Director of Shandong Hongqiao since July 1994. He held the positions of General Manager of Shandong Weiqiao Chuanye Group Company Limited (山東魏橋創業集團有限公司) ("Chuanye Group") (including its predecessor) from March 1996 to April 1998, the Chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) ("Weiqiao Textile") (stock code: 2698. HK) (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, Chairman of Shandong Weiqiao Investment Holding Limited (山東魏橋投資控股有限公司) (formerly named as Zouping Supply and Marketing Investment Co., Ltd (鄒平供銷投資有限公司)), Party Secretary of Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社), Chairman of China Hongqiao Holdings Limited (中國宏橋控股有限公司) ("Hongqiao Holdings") and Chairman of Weiqiao Pioneering (Hong Kong) Import & Export Company Limited. He was a deputy to the 9th, 10th and 12th National People's Congress and was selected by the State Council as "National Model Worker in 1995". He is the husband of Ms. Zheng Shuliang, the father of Mr. Zhang Bo and the father-in-law of Mr. Yang Congsen.

Ms. Zheng Shuliang (鄭淑良), aged 67, 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 44, was appointed an Executive Director and Chief Executive Officer of our Company on 16 January 2011. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and obtained a bachelor's degree in economics in August 1996. He also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He joined our Group in 2006 and has been the General Manager and the Chairman of the Board of Directors of Aluminum & Power since November 2006. Mr. Zhang Bo has 7 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, marketing and promotion for our Group. He has more than 15 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) ("Weihai Weiqiao") 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 and a director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) ("Hongqiao Trading") since April 2012. He is a deputy to the People's Congress of Shandong Province, and was selected by the State Council as "National Model Worker" in 2010. Mr. Zhang Shiping is his father and Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Mr. Qi Xingli (齊興禮), aged 49, was appointed an Executive Director and the Chief Financial Officer of our Company on 16 January 2011. He graduated from Shandong Cadre Correspondence University (山東幹部函授大學) and obtained a university diploma in financial accounting in June 1998. He also obtained the certificate as an international certified senior accountant by the International Profession Certification Association in June 2010. He joined our Group in June 2010. He oversees our Group's finance and accounting functions and has over 20 years' experience in financial management. He had also been Deputy Director and Director of the financial division, Deputy General Manager and Director of Chuangye Group (including its predecessor) from February 1994 to October 2000, General Manager, Executive Director and the Chief Financial Officer of Weiqiao Textile (including its predecessor) from November 1999 to June 2010, a supervisor of Weihai Weiqiao from July 2001 to May 2010, a Director of Binzhou Industrial Park from November 2001 to May 2010. He is currently a director of Hongqiao Trading since April 2012.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 44, 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 13 years' management experiences.He was responsible for the production and operation of the self-owned power plants of our Group and was also the Deputy General Manager of Aluminum & Power prior to the Listing. 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 37, 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.

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 64, 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 54, 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 63, was appointed an Independent Non-Executive Director of our Company on 16 January 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognized by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. Mr. Han worked in Zouping County Audit Bureau (鄒平縣審計局) as a Clerical Officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) ("Jianxin", formerly known as Zouping Jianxin Certified Public Accountants Corporation) as an accountant from December 1999 to February 2007. He is currently working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

SENIOR MANAGEMENT

Ms. Zhang Ruilian (張瑞蓮), aged 36, is the Vice President of our Company and the Manager of the accounting department of our Company. She joined our Group in June 2006 and has over 13 years' accounting experience. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She held the positions of the Manager of audit department of Chuangye Group from December 2005 to June 2006 and Manager of accounting department of Aluminum & Power from June 2006 to July 2009. She is currently the Manager of accounting department of Aluminum & Power, a manager of accounting department of Shandong Hongqiao and a director of Hongqiao Trading since April 2012.

Mr. Deng Wenqiang (鄧文強), aged 42, is the Vice President of our Company. He graduated from Kunming University of Science and Technology (昆明理工大學) and obtained a bachelor's degree in non-ferrous metal metallurgy in July 1995 and is a qualified engineer. Mr. Deng Wenqiang joined our Group in January 2003. He is responsible for the production, research and development of aluminum products of our Group. He previously held the positions of Workshop Director, Vice Factory Director and Factory Director of Aluminum & Power from January 2003 to June 2006. He is currently the Deputy General Manager of Aluminum & Power and Deputy General Manager of Shandong Hongqiao, the executive director and manager of Huimin Huihong New Aluminum Profiles Co., Ltd. and executive director and manager of Binzhou Beihai Huihong New Aluminum Profiles Co., Ltd.(濱州北海匯宏新材料有限公司). In 2000, he was awarded the first prize for his quality control achievements by Shandong Province Metallurgical Industry Corporation. In 2005, he was recognized as the Advanced Individual of Science and Technology Work by Shandong Province Metallurgical Industry Corporation. He was elected as the representative of the 15th People's Congress of Zouping County and the 9th People's Congress of Binzhou Municipality.

JOINT COMPANY SECRETARIES

Ms. Zhang Yuexia (張月霞), aged 38, 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 12 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.

Ms. Ho Wing Yan (何詠欣), aged 32, was appointed the Secretary of our Company on 16 January 2011. She graduated from Hong Kong Baptist University (香港浸會大學) and obtained a bachelor's degree in business administration (applied economics) in November 2004. She has also obtained a master's degree of corporate governance from the Open University of Hong Kong (香港公開大學) in June 2009. She was admitted as an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in November 2009. She is also a holder of the Practitioner's Endorsement issued by The Hong Kong Institute of Chartered Secretaries. Ms. Ho has extensive experience in the company secretarial field for listed companies.

The directors of the Company present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

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 alloy processing products and aluminum busbars.

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2013 and the financial position of the Group as at 31 December 2013 are set out on pages 41 to 42 in the audited consolidated financial statements of this annual report.

The Board has the payment of a final dividend of HK$27.0 cents per share for the year ended 31 December 2013. The proposed final dividends, subject to the approval of the shareholders at the forthcoming annual general meeting, will be paid on 27 June 2014 to the shareholders whose names appear on the register of members of the Company on 6 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Wednesday, 14 May 2014 to Friday, 16 May 2014 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the forthcoming annual general meeting of the Company and vote at the meeting, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Tuesday, 13 May 2014. 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 Wednesday, 4 June 2014 to Friday, 6 June 2014 (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 Tuesday, 3 June 2014. 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 2009, 2010, 2011 and from the audited consolidated financial statements of the Group for the years ended 31 December 2012 and 2013 on pages 41 to 42 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2009	2010	2011	2012	**2013**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
CONTINUING OPERATIONS					
Revenue	8,668,428	15,131,591	23,626,031	24,804,742	**29,404,462**
Cost of sales	(7,769,098)	(9,389,722)	(15,449,645)	(16,801,294)	**(21,261,660)**
Gross profit	899,330	5,741,869	8,176,386	8,003,448	**8,142,802**
Other income and gain and loss	97,216	210,535	311,960	422,439	**941,621**
Distribution and selling costs	(40,961)	(19,977)	(44,054)	(58,667)	**(60,128)**
Administrative expenses	(92,335)	(112,038)	(167,033)	(306,068)	**(440,171)**
Other expenses	–	(42,815)	(22,569)	(20,121)	**(9,125)**
Finance costs	(89,243)	(192,990)	(300,819)	(642,731)	**(1,359,200)**
Changes in the fair value of compound derivative	–	–	–	2,253	**163,596**
Profit before taxation	774,007	5,584,584	7,953,871	7,400,553	**7,379,395**
Income tax expense	(196,924)	(1,395,868)	(2,078,461)	(1,947,961)	**(1,792,946)**
Profit for the year from continuing Operations	577,083	4,188,716	5,875,410	5,452,592	**5,586,449**
DISCONTINUED OPERATIONS					
Profit (loss) for the year from discontinued operations	(9,441)	31,515	–	–	**–**
Profit for the year	567,642	4,220,231	5,875,410	5,452,592	**5,586,449**
Profit for the year attributable to:					
Owners of the Company	556,289	4,195,738	5,875,410	5,452,592	**5,592,675**
Non-controlling interests	11,353	24,493	–	–	**(6,226)**

Assets and liabilities

	As at 31 December				
	2009	2010	2011	2012	**2013**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	11,387,261	13,345,696	29,669,048	44,376,717	**65,178,536**
Total liabilities	8,239,770	6,043,155	11,272,014	22,038,820	**38,295,991**

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2013 are set out in Note 15 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group during the Year are set out in Note 25 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the changes in share capital of the Company during the year ended 31 December 2013 and as at that date are set out in Note 30 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 2013 and up to and including the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2013 and up to the date of this annual report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares or debentures of the Company or any other associated corporations, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debentures of the Company or any other associated corporations or had exercised any such right in the period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The shares of the Company has been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 March 2011. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2013 and up to the date of this annual report.

CONVERTIBLE BONDS

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

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

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

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2013 are in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Group's reserves amounted to approximately RMB26,288,167,000 of which approximately RMB5,626,295,000 was capital reserve, approximately RMB3,104,226,000 was statutory surplus reserve and approximately RMB17,557,646,000 was retained earnings. The Group's profits of approximately RMB17,491,505,000 generated from 1 January 2008 up to 31 December 2013 will not be distributed in the foreseeable future.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2013, sales to the Group's five largest customers accounted for 64.0% of the Group's total sales for the year ended 31 December 2013, and sales to its largest customer accounted for 39.1% of the Group's total sales for the year ended 31 December 2013.

During the year ended 31 December 2013, purchases from the Group's five largest suppliers accounted for 39.2% of the Group's total purchases for the year ended 31 December 2013, and purchases from the Group's largest supplier accounted for 26.0% of the Group's total purchases for the year ended 31 December 2013.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENTS OF DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than one month's notice in writing served by either the Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association. None of the Directors proposed for re-election at the forthcoming 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)*
Mr. QI Xingli *(Chief Financial Officer)*

Non-Executive Directors:

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors:

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

DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2013 and up to the date of issuance of this annual report.

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

As at 31 December 2013, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping[(1)]	Interest of a controlled corporation	5,000,000,000	84.96
Ms. ZHENG Shuliang[(2)]	Interest of Spouse	5,000,000,000	84.96
Prosperity Eastern Limited[(3)]	Trustee	5,000,000,000	84.96
Hongqiao Holdings	Beneficial owner	5,000,000,000	84.96

Notes:

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

(2) Ms. ZHENG Shuliang, the spouse of Mr. ZHANG 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 2013, 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 2013, the Directors and chief executive had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules, were as follows:

Long positions in the shares of the Company

Name of shareholder	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping(1)	Interest of a controlled corporation	5,000,000,000	84.96
Ms. ZHENG Shuliang(2)	Interest of Spouse	5,000,000,000	84.96

Notes:

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

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

Save as disclosed above, as at 31 December 2013, 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 contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year and up to the date of issuance of this annual report.

CONNECTED TRANSACTIONS

The related party transactions disclosed in Note 37 to the financial statements constituted connected transactions under the Listing Rules, and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

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

(i) Terms of the Agreement

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

(ii) Pricing

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

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

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

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

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

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

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

During the year, the purchase of carbon anode blocks from Aluminum Technology amounted to approximately RMB305,489,000 which was below the 2013 annual cap of approximately RMB481,359,000. The sales of slag of carbon anode blocks to Aluminum Technology amounted to approximately RMB31,445,000, which was below the 2013 annual cap of approximately RMB46,206,000.

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

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

(ii) on normal commercial terms; and

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

The auditors of the Company have reported to the Directors that during the financial year:

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

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

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

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

PENSION SCHEME

Details of the pension scheme of the Group are set out in Note 38 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 2013 and up to the date of this annual report.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

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

For the year ended 31 December 2013, the Company was in compliance with the mandatory code provisions of the CG Code.

SUFFICIENCY OF PUBLIC FLOATING

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

DEED OF NON-COMPETITION

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

AUDIT COMMITTEE

The Company has established an audit committee (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 14 March 2014 to review the consolidated financial statements of the Group for the year ended 31 December 2013. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2013 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu was the Company's international auditors for the year ended 31 December 2013. A resolution for the reappointment of Deloitte Touche Tohmatsu as the international auditors of the Company will be proposed at the 2013 Annual General Meeting.

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

14 March 2014

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 2013, 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 2013 and up to the date of issuance of this annual report.

THE BOARD OF DIRECTORS

As at 31 December 2013, the Board of the Company comprised four executive Directors, two non-executive Directors, three independent non-executive Directors.

The Board members are as follows:

Executive Directors

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

Non-Executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors

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

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

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business strategic decisions and performance. The Board has established 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, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services 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 and succession planning of directors and assessing the independence of independent non-executive Directors.

Each of the Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than one month's notice in writing served by either the executive Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the articles of association. At the annual general meeting held by the Company on 7 May 2013, Ms. Zheng Shuliang, Mr. Qi Xingli, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Xing Jian, Mr. Chen Yinghai and Mr. Han Benwen were re-elected as Directors of the Company.

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 2013 to December 2013, 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. Qi Xingli, 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 2013, the Board had conducted the evaluation of its performance.

Number of meetings and Directors' attendance

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

As at the year ended 31 December 2013, five 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	5/5	1/1
Ms. ZHENG Shuliang	4/5	1/1
Mr. ZHANG Bo	5/5	1/1
Mr. QI Xingli	5/5	1/1
Non-Executive Directors		
Mr. YANG Congsen	4/5	1/1
Mr. ZHANG Jinglei	4/5	1/1
Independent Non-Executive Directors		
Mr. XING Jian	4/5	1/1
Mr. CHEN Yinghai	4/5	1/1
Mr. HAN Benwen	4/5	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 and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The senior management including chief executive officer and chief financial officer attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. The company secretary 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

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. He is also responsible for running the Company's businesses and implementing the Group's strategic plans and business goals. To facilitate discussion of all key and appropriate issues by the Board in a timely manner, the chairman co-ordinates with the senior management to provide adequate, complete and reliable information to all directors for consideration and review.

SUBORDINATE COMMITTEES OF THE BOARD

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

A. AUDIT COMMITTEE

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

The composition of the Audit Committee

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

Roles and functions

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

The Company's annual results for the year ended 31 December 2013 have been reviewed by the Audit Committee.

As at the year ended 31 December 2013, the Audit Committee held two meetings during the year, and the attendance record of individual Committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen *(Chairman of the Audit Committee)*	2/2
Mr. XING Jian	2/2
Mr. CHEN Yinghai	2/2

B. REMUNERATION COMMITTEE

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

The composition of the Remuneration Committee

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

Roles and functions

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

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

As at the year ended 31 December 2013, the Remuneration Committee held one meeting during the year to fulfill the duties as required aforesaid and the attendance record of individual Committee members are set out below:

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

C. NOMINATION COMMITTEE

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

The Nomination Committee was established on 16 January 2011. As at the year ended 31 December 2013, the Nomination Committee held one meeting during the year, and the attendance record of individual Committee members are set out below:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. 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 2013.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2013.

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

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

EXTERNAL AUDITORS

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

During the Year, the remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2013 amounted to RMB4,400,000.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors is responsible for the effectiveness of the internal control system. Relevant procedures have been designed for safeguarding assets against unauthorised use or disposal, controlling excessive capital expenditure, maintaining proper accounting records, and the reliability of financial information used in the operations or for publication. The Group has appointed an external consultant for internal control to review and provide opinions on the Group's internal control for the year ended 31 December 2013. The Group has discussed with such external consultant for internal control in respect of the issues of internal control, therefore the Group's internal control system were improved constantly. Qualified management personnel of the Company will maintain and monitor the internal control system on a going concern basis.

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

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 2013, the company secretary undertook over 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 94, which comprise the consolidated statement of financial position of the Group as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

14 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	5	**29,404,462**	24,804,742
Cost of sales		**(21,261,660)**	(16,801,294)
Gross profit		**8,142,802**	8,003,448
Other income and gain and loss	7	**941,621**	422,439
Distribution and selling expenses		**(60,128)**	(58,667)
Administrative expenses		**(440,171)**	(306,068)
Finance costs	8	**(1,359,200)**	(642,731)
Other expenses		**(9,125)**	(20,121)
Changes in fair value of compound derivative	29	**163,596**	2,253
Profit before taxation	9	**7,379,395**	7,400,553
Income tax expense	12	**(1,792,946)**	(1,947,961)
Profit for the year		**5,586,449**	5,452,592
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(22,689)**	–
Total comprehensive income for the year		**5,563,760**	5,452,592
Profit for the year attributable to:			
Owners of the Company		**5,592,675**	5,452,592
Non-controlling interests		**(6,226)**	–
		5,586,449	5,452,592
Total comprehensive income for the year attributable to:			
Owners of the Company		**5,579,062**	5,452,592
Non-controlling interests		**(15,302)**	–
		5,563,760	5,452,592
Earnings per share	13		
Basic (RMB)		**0.95**	0.93
Diluted (RMB)		**0.91**	0.92

Consolidated Statement of Financial Position

As at 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	15	**39,996,661**	26,711,299
Prepaid lease payments-non-current portion	16	**1,138,979**	1,044,404
Deferred tax assets	17	**134,164**	57,495
Deposits paid for acquisition of property, plant and equipment		**2,040,102**	1,705,469
		43,309,906	29,518,667
Current assets			
Prepaid lease payments – current portion	16	**25,160**	22,394
Inventories	18	**10,136,223**	3,110,727
Trade receivables	19	**160,935**	43,672
Bills receivable	20	**2,048,498**	1,319,684
Prepayments and other receivables	21	**1,465,168**	314,542
Restricted bank deposits	22	**1,670,576**	872,088
Bank balances and cash	22	**6,362,070**	9,174,943
		21,868,630	14,858,050
Current liabilities			
Trade payables	23	**1,995,649**	1,097,744
Bills payable		**–**	200,000
Other payables	24	**5,344,024**	3,871,241
Income tax payable		**353,104**	244,895
Bank borrowings – due within one year	25	**9,565,774**	6,659,235
Other borrowings – due within one year	25	**95,000**	–
Short-term debentures	26	**4,000,000**	–
Held-for-trading financial liabilities	27	**5,278**	1,084
		21,358,829	12,074,199
Net Current Assets		**509,801**	2,783,851
Total Assets less Current Liabilities		**43,819,707**	32,302,518
Capital and Reserves			
Share capital	30	**386,206**	386,206
Share premium and reserves		**26,288,167**	21,927,049
Equity attributable to owners of the Company		**26,674,373**	22,313,255
Non-controlling interests		**208,172**	24,642
Total Equity		**26,882,545**	22,337,897
Non-current Liabilities			
Bank borrowings – due after one year	25	**9,655,059**	7,443,657
Other borrowings – due after one year	25	**235,000**	–
Medium-term debentures	28	**6,189,548**	1,486,640
Deferred tax liabilities	17	**40,000**	73,763
Convertible bonds – liability component	29	**750,001**	729,411
Convertible bonds – derivative component	29	**67,554**	231,150
		16,937,162	9,964,621
		43,819,707	32,302,518

The consolidated financial statements on pages 41 to 94 approved and authorised for issue by the Board of Directors on 14 March 2014 and are signed on its behalf by:

Zhang Shiping
Executive director

Zhang Bo
Executive director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (note 1)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (note 2)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	386,206	4,832,946	793,349	–	1,849,484	10,535,049	18,397,034	–	18,397,034
Profit and total comprehensive income for the year	–	–	–	–	–	5,452,592	5,452,592	–	5,452,592
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(1,536,371)	(1,536,371)	–	(1,536,371)
Acquisition of a subsidiary *(Note 33)*	–	–	–	–	–	–	–	24,642	24,642
Transfer to reserves	–	–	–	–	708,834	(708,834)	–	–	–
At 31 December 2012	386,206	4,832,946	793,349	–	2,558,318	13,742,436	22,313,255	24,642	22,337,897
Other comprehensive income for the year	–	–	–	(13,613)	–	–	(13,613)	(9,076)	(22,689)
Profit for the year	–	–	–	–	–	5,592,675	5,592,675	(6,226)	5,586,449
Total comprehensive income for the year	–	–	–	(13,613)	–	5,592,675	5,579,062	(15,302)	5,563,760
Dividend recognised as distribution *(Note 14)*	–	–	–	–	–	(1,217,944)	(1,217,944)	–	(1,217,944)
Transfer to reserves	–	–	–	–	545,908	(545,908)	–	–	–
Advance contribution from non-controlling shareholder	–	–	–	–	–	–	–	198,832	198,832
At 31 December 2013	386,206	4,832,946	793,349	(13,613)	3,104,226	17,571,259	26,674,373	208,172	26,882,545

Notes:

(1) Capital reserve represents (i) the effect of a group reorganisation 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 taxation reported under the relevant accounting policies and financial regulations in the PRC (the "PRC GAAP") to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**7,379,395**	7,400,553
Adjustments for:		
Interest income	**(72,181)**	(28,555)
Finance costs	**1,359,200**	642,731
Gain on disposal of corporate wealth management products issued by bank	**(63,397)**	–
Depreciation of property, plant and equipment	**2,063,192**	1,340,046
Loss (gain) on disposal of property, plant and equipment	**(2,651)**	240
Loss from changes in fair value of held-for-trading financial liabilities	**4,194**	1,084
Gain on fair value changes of compound derivative	**(163,596)**	(2,253)
Release of prepaid lease payments	**22,625**	21,921
Operating cash flows before movements in working capital	**10,526,781**	9,375,767
Increase in inventories	**(7,025,496)**	(1,202,081)
Increase in receivables, deposits and prepayments	**(1,996,703)**	(240,824)
Increase in payables, deposits received and accrued charges	**542,863**	150,060
Cash generated from operations	**2,047,445**	8,082,922
Income tax paid	**(1,795,169)**	(1,862,151)
Net cash generated from operating activities	**252,276**	6,220,771
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(13,997,262)**	(10,708,031)
Proceeds on disposal of property, plant and equipment	**15,043**	–
Addition to prepaid lease payments	**(119,966)**	(131,865)
Acquisition of a subsidiary (Note 33)	**–**	24,784
Interest received	**72,181**	28,555
Purchases of available-for-sale investments	**(1,700,000)**	–
Proceeds on disposal of available-for-sale investments	**1,763,397**	–
Placement of restricted bank deposits	**(2,145,361)**	(1,356,923)
Withdrawal of restricted bank deposits	**1,346,873**	499,303
Net cash used in investing activities	**(14,765,095)**	(11,644,177)
FINANCING ACTIVITIES		
Dividends paid	**(1,217,944)**	(1,536,371)
Proceeds from issue of convertible bonds	**–**	945,525
Payment of transaction costs on issue of convertible bonds	**–**	(27,765)
Proceeds from issue of medium-term debentures raised	**4,500,000**	1,500,000
Payment of transaction costs on issue of medium-term debentures	**(36,630)**	(13,658)
Proceeds from issue of short-term debentures raised	**4,000,000**	–
Payment of transaction costs on issue of short-term debentures	**(20,000)**	–
New bank borrowings raised	**19,345,104**	15,298,385
Repayment of bank borrowings	**(14,227,163)**	(8,387,696)
New other borrowings raised	**390,000**	1,341,882
Repayment to other borrowings	**(60,000)**	(1,341,882)
Interest paid	**(1,151,524)**	(664,866)
Advance contribution from non-controlling shareholders	**198,832**	–
Net cash generated from financing activities	**11,720,675**	7,113,554
Net (decrease) increase in cash and cash equivalents	**(2,792,144)**	1,690,148
Cash and cash equivalents at beginning of the year	**9,174,943**	7,484,795
Effect of foreign exchange rate changes	**(20,729)**	–
Cash and cash equivalents at end of the year, represented by bank balances and cash	**6,362,070**	9,174,943

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

The principal activities of its subsidiaries are set out in Note 39.

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

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

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of IFRS 13 is broad: the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. For a non-financial asset, its fair value measurement falls 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. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application. In accordance with the transitional provisions of IFRS 13, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period (please see Note 32(E) for the 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to IAS 1, the Group's "consolidated statement of comprehensive income" is renamed as the "consolidated statement of profit or loss and other comprehensive income". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised IFRSs issued but not effective

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

Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application-the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

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

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

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

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

New and revised IFRSs issued but not effective (Continued)

IFRS 9 Financial Instruments (Continued)

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

The directors of the Company anticipate that the adoption of IFRS 9 in the future may not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on analysis of the Group's financial instruments as at 31 December 2013.

IFRIC-21 Levies

IFRIC-21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of IFRIC-21 will have no effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition of a subsidiary classified as an asset acquisition

In respect of acquisition of a subsidiary which does not constitute a business, the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Revenue recognition

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

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

Revenue from steam supply is recognised when steam is provided.

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

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

The Group as lessee

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

Leasehold land and building

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

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

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Retirement benefit costs

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

Taxation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Inventories

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

Impairment of tangible assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets

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

Loans and receivables

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

Effective interest method

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

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

Impairment of Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of Loans and receivables (Continued)

Objective evidence of impairment for loans and receivables could include:

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

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

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

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

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

Financial liabilities and equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

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

Other financial liabilities

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

Convertible bonds

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

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

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

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Embedded derivatives

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

Derecognition

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

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

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of inventories

The Group's management assesses periodically whether the inventories have been suffered from any impairment based on estimate on the net realisable value of the inventory. For different types of inventories, it requires the exercise of accounting estimates on selling price, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2013, the carrying amount of inventories are approximately RMB10,136,223,000 (2012: RMB3,110,727,000) as disclosed in Note 18.

Useful lives and residual value of property, plant and equipment

The Group's management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment, as disclosed in Note 15. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

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 2013, 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 2013, the carrying amount of property, plant and equipment are approximately RMB39,996,661,000 (2012: RMB26,711,299,000) as disclosed in Note 15.

Convertible bonds

As described in Note 29, the Company's convertible bonds contain a number of embedded derivatives that are remeasured to FVTPL at the end of each reporting period. The Company engaged an independent appraiser to assist the directors of the Company in determining the fair value of these embedded derivatives. The independent appraiser uses his judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For valuation of derivative financial instruments, assumptions are made based on quoted market rates to the extent possible and adjusted for specific features of the instrument. As at 31 December 2013, the fair value of the embedded derivatives is approximately RMB67,554,000 (2012:RMB231,150,000) as disclosed in Note 29. Any changes in the assumptions of the valuation model will have a material effect on the fair value of the embedded derivatives of the convertible bonds.

5. REVENUE

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

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

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

	2013 **RMB'000**	2012 RMB'000
Revenue from sales of goods		
Aluminum products		
– molten aluminum alloy	**23,527,351**	17,161,788
– aluminum alloy ingots	**4,951,186**	6,768,728
– aluminum fabrication	**727,512**	228,534
– aluminum busbars	**21,572**	107,062
Steam supply income	**176,841**	538,630
	29,404,462	24,804,742

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

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

	2013 **RMB'000**	2012 RMB'000
Customer A	**11,502,777**	8,324,216
Customer B	**3,428,511**	3,032,614

6. SEGMENT INFORMATION

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

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

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group operates principally in the PRC (including Hong Kong), and overseas countries (including BVI, Indonesia and Cayman).

	Non-current assets (Note)	
	2013	2012
	RMB'000	RMB'000
PRC	**43,029,434**	29,460,552
Overseas countries	**146,308**	620
	43,175,742	29,461,172

Note: Non-current assets excluded deferred tax assets.

7. OTHER INCOME AND GAIN AND LOSS

	2013	2012
	RMB'000	RMB'000
Interest income	**72,181**	28,555
Net gain on sales of raw materials (*Note*)	**148,236**	85,756
Revenue from sales of slag of carbon anode blocks	**296,833**	278,010
Foreign exchange gains (losses), net	**311,078**	(419)
Gain (loss) on disposal of property, plant and equipment	**2,651**	(240)
Loss from changes in fair value of held-for-trading financial liabilities	**(4,194)**	(1,084)
Gain on disposal of corporate wealth management products issued by bank	**63,397**	–
Others	**51,439**	31,861
	941,621	422,439

Note: The revenue and cost resulting in the net gain on sales of raw materials are as follows:

	2013	2012
	RMB'000	RMB'000
Revenue from sales of raw materials	**194,773**	126,613
Cost related to sales of raw materials	**(46,537)**	(40,857)
	148,236	85,756

8. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest expenses on bank borrowings		
– wholly repayable within five years	**1,040,087**	566,400
Interest expenses on convertible bonds (Note 29)	**81,083**	69,180
Interest expenses on other borrowings	**17,577**	19,264
Interest expenses on short-term debentures	**129,562**	–
Interest expenses on medium-term debentures	**315,839**	6,042
Transaction cost relating to compound derivative		
– component of convertible bonds (Note 29)	**–**	6,854
Arrangement fee of syndicated loan	**–**	63,705
Less: amounts capitalised under construction in progress	**(224,948)**	(88,714)
	1,359,200	642,731

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 5.17% (2012: 6.28%) per annum to expenditure on qualifying assets.

9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2013 RMB'000	2012 RMB'000
Staff cost:		
Directors' and chief executive's emoluments (Note 10)	**5,410**	5,379
Other staff costs:		
– Wages and salaries	**1,511,582**	1,010,620
– Retirement benefit schemes contributions	**48,700**	27,785
Total staff costs	**1,565,692**	1,043,784
Auditors' remuneration	**4,400**	3,900
Depreciation of property, plant and equipment	**2,063,192**	1,340,046
Cost of inventories recognised as an expense	**21,205,542**	16,744,399
Release of prepaid lease payments	**22,625**	21,921

10. DIRECTORS' EMOLUMENTS

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

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

10. DIRECTORS' EMOLUMENTS (Continued)

	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 December 2012				
Executive directors				
Mr. Zhang	1,500	85	–	1,585
Zheng Shuliang	500	58	–	558
Zhang Bo	800	76	6	882
Qi Xingli	700	72	5	777
Sub-total	3,500	291	11	3,802
Non-executive directors				
Yang Congsen	600	72	5	677
Zhang Jinglei	300	–	–	300
Sub-total	900	72	5	977
Independent non-executive directors				
Xing Jian	200	–	–	200
Chen Yinghai	200	–	–	200
Han Benwen	200	–	–	200
Sub-total	600	–	–	600
Total	5,000	363	16	5,379

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.

In the year ended 31 December 2013 and 2012, none of the directors waived any emoluments.

11. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

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

During both years, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
The charge comprises:		
Current tax		
PRC enterprise income tax	**1,796,893**	1,957,044
Hong Kong Profits Tax	**106,485**	12,123
Deferred tax (credit) (Note 17)	**(110,432)**	(21,206)
	1,792,946	1,947,961

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

In addition, the EIT Law provides that qualified dividend income between two "PRC-resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law. An amount of RMB40,000,000 (2012: RMB73,763,000) is recognised in respect of the PRC subsidiaries' undistributed profits generated in the current year.

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

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

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

	2013 RMB'000	2012 RMB'000
Profit before taxation	**7,379,395**	7,400,553
Tax at the PRC enterprise income tax rate of 25% (2012: 25%)	**1,844,849**	1,850,139
Tax effect of expenses not deductible	**239**	230
Tax effect of income not taxable for tax purpose	**(40,899)**	(563)
Tax effect of tax losses not recognised	**4,929**	30,637
Utilisation of deductible temporary difference previously not recognised	**(888)**	–
Effect of different tax rates of subsidiaries	**(55,284)**	(6,245)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**40,000**	73,763
Tax charge for the year	**1,792,946**	1,947,961

13. EARNINGS PER SHARE

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

Earnings

	2013 **RMB'000**	2012 RMB'000
Earnings for the purpose of basic earnings per share profit for the year attributable to owners of the Company	**5,592,675**	5,452,592
Effect of effective interest on the liability component of convertible bonds (Note 29)	**81,083**	69,180
Effect of gain recognised on the compound derivative component of convertible bonds (Note 29)	**(163,596)**	(2,253)
Earnings for the purpose of diluted earnings per share	**5,510,162**	5,519,519

Weighted average number of shares

	2013 **'000 shares**	2012 '000 shares
Number of ordinary shares for the purpose of basic earnings per share	**5,885,000**	5,885,000
Effect of conversion of convertible bonds	**178,826**	122,829
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,063,826**	6,007,829

14. DIVIDENDS

Dividends declared for distribution during the year:

	2013 **RMB'000**	2012 RMB'000
2012 final dividends – HK$26 cents per share	**1,217,944**	–
2011 final dividends – HK$32 cents per share	**–**	1,536,371
	1,217,944	1,536,371

Subsequent to the end of the reporting period a final dividend of HK$1,588,950,000 (equivalent to approximately RMB1,249,232,000) at HK$27 cents per share in respect of the year ended 31 December 2013, based on 5,885,000,000 shares as at 31 December 2013, 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 current year, the final dividend of HK$1,530,100,000 (equivalent to approximately RMB1,217,944,000), at HK$26 cents per share in respect of the year ended 31 December 2012, based on 5,885,000,000 shares as at 31 December 2012 (2012: HK$1,883,200,000 (equivalent to approximately RMB1,536,371,000), at HK$32 cents per share in respect of the year ended 31 December 2011) was declared to the owners of the Company.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2012	4,204,597	10,613,746	30,914	3,521	3,892,339	18,745,117
Additions	28,389	324,522	540	1,381	11,272,154	11,626,986
Acquired on acquisition of a subsidiary (Note 33)	–	–	–	141	–	141
Transfers	4,521,460	4,740,427	1,648	1,035	(9,264,570)	–
Disposals	(247)	–	–	–	–	(247)
At 31 December 2012	8,754,199	15,678,695	33,102	6,078	5,899,923	30,371,997
Additions	23,293	559,907	4,804	4,409	14,768,533	15,360,946
Transfers	3,367,319	8,220,073	–	–	(11,587,392)	–
Disposals	–	(247,836)	–	–	–	(247,836)
At 31 December 2013	**12,144,811**	**24,210,839**	**37,906**	**10,487**	**9,081,064**	**45,485,107**
DEPRECIATION						
At 1 January 2012	605,785	1,706,753	6,571	1,550	–	2,320,659
Provided for the year	257,168	1,079,180	2,919	779	–	1,340,046
Disposals	(7)	–	–	–	–	(7)
At 31 December 2012	862,946	2,785,933	9,490	2,329	–	3,660,698
Provided for the year	405,111	1,653,638	3,244	1,199	–	2,063,192
Disposals	–	(235,444)	–	–	–	(235,444)
At 31 December 2013	**1,268,057**	**4,204,127**	**12,734**	**3,528**	**–**	**5,488,446**
CARRYING AMOUNT						
At 31 December 2013	**10,876,754**	**20,006,712**	**25,172**	**6,959**	**9,081,064**	**39,996,661**
At 31 December 2012	7,891,253	12,892,762	23,612	3,749	5,899,923	26,711,299

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

Buildings	3.17%-9.50%
Plant and machinery	6.79%-13.57%
Motor vehicles	9.50%-9.60%
Furniture, fixtures and equipment	9.50%-19.20%

Properties with carrying amount of RMB3,472,317,000 (2012: RMB1,784,100,000) located in the PRC which the Group is in the process of obtaining the property certificates.

The Group has pledged certain property, plant and equipment as disclosed in Note 34.

16. PREPAID LEASE PAYMENTS

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

	2013 RMB'000	2012 RMB'000
At 1 January	**1,066,798**	956,854
Additions	**119,966**	131,865
Released	**(22,625)**	(21,921)
At 31 December	**1,164,139**	1,066,798
Prepaid lease payments related to land use rights analysed for reporting purposes as:		
Current assets	**25,160**	22,394
Non-current assets	**1,138,979**	1,044,404

The amount represents the prepayment of rentals for land use rights in the PRC for a period of 20 to 50 years. The Group has pledged land use right as disclosed in Note 34.

17. DEFERRED TAX ASSETS/LIABILITIES

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

	Fair value changes of held-for-trading financial liabilities RMB'000	Excess of accounting depreciation over tax depreciation RMB'000	Undistributed profits of subsidiary RMB'000	Unrealised profit on intra-group sales RMB'000	Total RMB'000
At 1 January 2012	–	21,407	(81,090)	22,209	(37,474)
Credit to profit or loss	271	4,641	7,327	8,967	21,206
At 31 December 2012	271	26,048	(73,763)	31,176	(16,268)
Credit to profit or loss	674	4,641	33,763	71,354	110,432
At 31 December 2013	945	30,689	(40,000)	102,530	94,164

17. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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

	2013 RMB'000	2012 RMB'000
Deferred tax assets	**134,164**	57,495
Deferred tax liabilities	**(40,000)**	(73,763)
	94,164	(16,268)

At 31 December 2013, the Group had unused tax losses of approximately RMB175,488,000 (2012: RMB159,324,000) available to offset against future profits of respective subsidiaries. Included in unrecognised tax losses are losses of RMB157,286,000 (2012: RMB155,830,000) that may be carried forward indefinitely.

The other tax losses unrecognised for deferred tax assets that will expire in	**2013 RMB'000**	2012 RMB'000
2017	**–**	3,494
2018	**18,202**	–
	18,202	3,494

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

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

The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB17,491,505,000 (2012: RMB13,678,329,000), 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.

18. INVENTORIES

	2013 RMB'000	2012 RMB'000
Raw materials	**7,445,999**	1,428,187
Work in process	**2,596,107**	1,592,553
Finished goods	**94,117**	89,987
	10,136,223	3,110,727

19. TRADE RECEIVABLES

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

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

	2013 RMB'000	2012 RMB'000
0-90 days	**160,935**	43,672

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

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

Impairment for trade receivables over 90 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment and expected recoverable amounts. 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 reporting date. Based on the historical experience of the Group, the directors of the Company believe that no further allowance is required.

The Group has pledged the trade receivables as disclosed in Note 34.

20. BILLS RECEIVABLE

	2013 **RMB'000**	2012 RMB'000
Bills receivable	**2,048,498**	1,319,684

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

	2013 **RMB'000**	2012 RMB'000
0-90 days	**1,036,277**	485,299
91-180 days	**1,012,221**	834,385
	2,048,498	1,319,684

TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2013 that were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables and other payables in the consolidated statement of financial position. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

	2013 **RMB'000**	2012 RMB'000
Bills receivable endorsed to supplier with full recourse		
Carrying amount of transferred assets	**1,471,405**	1,255,215
Carrying amount of associated liabilities	**(1,471,405)**	(1,255,215)
Net position as at 31 December	**–**	–

21. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2013 **RMB'000**	2012 RMB'000
Prepayments to suppliers	**127,033**	121,563
Value added tax receivables	**1,317,653**	188,035
Other receivables	**20,482**	4,944
	1,465,168	314,542

22. RESTRICTED BANK DEPOSITS AND BANK BALANCES

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

The restricted bank deposits carry market interest rate of 0.35% to 3.3% per annum as at 31 December 2013 (2012: 0.35% to 3.5%).

Bank balances and cash at 31 December 2013 were mainly denominated in RMB which is not a freely convertible currency in the international market.

23. TRADE PAYABLES

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

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

	2013 **RMB'000**	2012 RMB'000
0-180 days	**1,956,151**	1,091,334
181-365 days	**33,049**	5,389
1-2 years	**5,721**	822
Over 2 years	**728**	199
	1,995,649	1,097,744

24. OTHER PAYABLES

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

	2013 RMB'000	2012 RMB'000
Payables on property, plant and equipment	**3,527,147**	2,400,173
Retention payables	**1,244,331**	897,081
Other payables and accruals	**217,958**	46,200
Advance from customers	**270,795**	486,842
Accrued payroll and welfare	**52,283**	15,638
Other tax payables	**31,510**	25,307
	5,344,024	3,871,241

25. BANK AND OTHER BORROWINGS

(a) Bank borrowings

	2013 RMB'000	2012 RMB'000
Secured bank borrowings	**831,058**	17,000
Unsecured bank borrowings (Note i)	**14,836,147**	11,188,468
Secured syndicated loans	**3,553,628**	2,897,424
	19,220,833	14,102,892
The total bank borrowings are repayable as follows (Note ii):		
Within one year	**9,565,774**	6,659,235
In the second year	**4,387,532**	2,495,347
In the third year	**4,367,527**	3,748,310
In the fourth year	**900,000**	300,000
In the fifth year	**–**	900,000
	19,220,833	14,102,892
Less: Amount due for settlement within one year and shown under current liabilities	**9,565,774**	6,659,235
Amount due after one year	**9,655,059**	7,443,657
Total bank borrowings		
– at fixed rates	**5,111,325**	5,714,365
– at floating rates	**14,109,508**	8,388,527
	19,220,833	14,102,892
Analysis of bank borrowings by currency:		
– denominated in RMB	**7,874,500**	7,629,500
– denominated in United States Dollar ("US$")	**10,515,398**	6,153,571
– denominated in Hong Kong Dollar ("HK$")	**830,935**	319,821
	19,220,833	14,102,892

25. BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

Notes:

i: The balance of bank borrowings which are guaranteed by a related party was included in unsecured bank borrowings.

ii: The amounts due are based on scheduled repayment dates set out in the loan agreements. As at 31 December 2013 and 2012, no bank borrowings have contained a repayment on demand clause.

Fixed interest rate borrowings are charged at the prevailing market rates ranging from 1.2% to 8.11% (2012: 2.0% to 8.11%) per annum as at 31 December 2013.

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

The effective weighted average interest rate for the year ended 31 December 2013 was 4.99% (2012: 6.64%) per annum.

(b) Other borrowings

As of 31 December 2013, the Company's subsidiary, Shandong Weiqiao Alumina & Power Ltd. ("Alumina & Power") pledged certain equipment to secure other borrowings amounting to RMB390,000,000, and repaid the other borrowings amounting to RMB60,000,000. The secured other borrowings was lent by RBS Leasing (China) Co., Ltd, an independent third party, for three years tenor with repayment in 12 installments and interest bearing at 6.27% per annum. Alumina & Power has the right to purchase the pledged certain equipment after 3 years from RBS Leasing (China) Co., Ltd with nominal consideration of RMB1.

26. SHORT-TERM DEBENTURES

	2013 **RMB'000**	2012 RMB'000
Short-term debentures	**4,000,000**	–

The Company's subsidiary, Alumina & Power applied to National Association of Financial Market Institutional Investors ("NAFMII") for issuing short-term debentures of RMB2,000,000,000 to independent third party debenture holders.

On 8 April 2013, Alumina & Power issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 8 April 2014. The debentures bear fixed interest at 4.53% per annum. Interest is payable annually in arrears.

26. SHORT-TERM DEBENTURES (Continued)

On 27 April 2013, Alumina & Power issued the second tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 27 April 2014. The debentures bear fixed interest at 5.00% per annum. Interest is payable annually in arrears.

The Company's subsidiary, Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") applied to NAFMII for issuing short-term debentures of RMB2,000,000,000 to independent third party debenture holders.

On 22 July 2013,Shandong Hongqiao issued the first tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 22 July 2014. The debentures bear fixed interest at 6.5% per annum. Interest is payable annually in arrears.

On 24 October 2013, Shandong Hongqiao issued the second tranche of the short-term debentures, of a principal amount of RMB1,000,000,000 with a maturity date of 24 October 2014. The debentures bear fixed interest at 6.60% per annum. Interest is payable annually in arrears.

27. HELD-FOR-TRADING FINANCIAL LIABILITIES

	2013 RMB'000	2012 RMB'000
Derivative financial instruments-interest rate swaps (Note i)	**871**	1,084
Derivative financial instruments-Foreign currency forward contracts (Note ii)	**4,407**	–
	5,278	1,084

Note i: The Group entered into two interest rate swap contracts. Major terms of the contracts as at the end of the reporting period are as follows:

Notional amount	Maturity	Swaps
US$200,000,000	17 August 2015	From LIBOR plus 3.3% to fixed rate of 3.65%
US$50,000,000	17 August 2015	From LIBOR plus 3.3% to fixed rate of 3.644%

Note ii: The Group entered into arrangements with a commercial bank in the PRC that the Group was entitled to sell US dollar to the bank in future at predetermined exchange rates. All the contracts are in gross settlement and lasting for 12 months. Major terms of the contracts as at the end of the reporting period are as follows:

Aggregate principal amount	Maturity	Forward exchange rate
US$18,661,000	From 6 February 2014 to 1 April 2014	sell US$/buy RMB at 6.23 to 6.34

28. MEDIUM-TERM DEBENTURES

	2013 RMB'000	2012 RMB'000
Medium-term debentures	**6,189,548**	1,486,640

The Company's subsidiary, Shandong Hongqiao applied to NAFMII for issuing medium-term debentures of RMB3,000,000,000 to independent third party debenture holders.

On 7 December 2012, Shandong Hongqiao issued the first tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 7 December 2015. The debentures bear fixed interest at 5.80% per annum. Interest is payable annually in arrears.

On 25 January 2013, Shandong Hongqiao issued the second tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 25 January 2018. The debentures bear fixed interest at 6.30% per annum. Interest is payable annually in arrears.

The Company's subsidiary, Alumina & Power applied to NAFMII for issuing medium-term debentures of RMB3,000,000,000 to independent third party debenture holders.

On 10 April 2013, Alumina & Power issued the first tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 10 April 2018. The debentures bear fixed interest at 5.80% per annum. Interest is payable annually in arrears.

On 9 May 2013, Alumina & Power issued the second tranche of the medium-term debentures, of a principal amount of RMB1,500,000,000 with a maturity date of 9 May 2018. The debentures bear fixed interest at 6.00% per annum. Interest is payable annually in arrears.

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) Option conversion

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

29. CONVERTIBLE BONDS (Continued)

(a) Option conversion (Continued)

As disclosed in Note 14, a final dividend of HK$32 cents per share for the year ended 31 December 2011 was approved in the annual general meeting in May 2012. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$7.27 to HK$6.81 effective from 24 May 2012.

As disclosed in Note 14, a final dividend of HK$26 cents per share for the year ended 31 December 2012 was approved in the annual general meeting in May 2013. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$6.81 to HK$6.33 effective from 27 May 2013.

(b) Redemption

– ***Redemption at maturity***

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

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

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

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

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

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

29. CONVERTIBLE BONDS (Continued)

(b) Redemption (Continued)

The Convertible Bonds comprised of two components:

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

(ii) Compound derivative component comprise:

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

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

The compound derivative component was valued at fair value by the directors with reference to valuation carried out by an independent valuation firm, Grant Sherman Appraisal Limited. The fair value of the compound derivative component is derived by removing the liability component from the fair value of Convertible Bonds which is calculated using Binominal Option Pricing Model. The major inputs used in the models as at 31 December 2013 and 2012 were as follows:

	At 31 December 2013	At 31 December 2012
Stock price	**HK$ 5.34**	HK$ 4.07
Exercise price	**HK$ 6.33**	HK$ 6.81
Risk-free rate	**0.780%**	0.281%
Expected life	**3.28 years**	4.28 years
Volatility	**40.27%**	42.72%

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 and comparable companies under the same periods of the expected life.

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

29. CONVERTIBLE BONDS (Continued)

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

	Liability component RMB'000	Compound derivative component RMB'000	Total RMB'000
Convertible bonds issued on 10 April 2012	712,122	233,403	945,525
Transaction costs	(20,911)	–	(20,911)
Interest charged during the period from 10 April 2012 to 31 December 2012 (Note 8)	69,180	–	69,180
Interest paid during the period from 10 April 2012 to 31 December 2012	(30,980)	–	(30,980)
Changes in fair value during the period from 10 April 2012 to 31 December 2012 (Note 32f)	–	(2,253)	(2,253)
As at 31 December 2012	729,411	231,150	960,561
Interest charged during the year (Note 8)	**81,083**	**–**	**81,083**
Interest paid during the year	**(60,493)**	**–**	**(60,493)**
Changes in fair value during the year (Note 32f)	**–**	**(163,596)**	**(163,596)**
As at 31 December 2013	**750,001**	**67,554**	**817,555**

No conversion or redemption of the Convertible Bonds has occurred up to 31 December 2013.

30. SHARE CAPITAL

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

	Number of shares	Shares capital US$
Authorised		
Ordinary shares of US$0.01 each		
At 31 December 2012 and 2013	**10,000,000,000**	**100,000,000**
Issued and fully paid		
Ordinary shares of US$0.01 each		
At 31 December 2012 and 2013	**5,885,000,000**	**58,850,000**

	2013 RMB'000	2012 RMB'000
Shown on the consolidated statement of financial position	**386,206**	386,206

The shares issued ranking pari passu with other shares in issue in all respects.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year 31 December 2013.

The capital structure of the Group consists of net debt, which comprising the bank borrowings, other borrowings, short-term debentures, medium-term debentures and convertible bonds disclosed in Notes 25, 26, 28, and 29, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in Note 30 and share premium and reserves in the consolidated statements of financial position.

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

32. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 **RMB'000**	2012 RMB'000
Financial assets		
Loans and receivables	**10,262,561**	11,415,331
Financial liabilities		
Liabilities at amortised cost	**37,527,749**	20,975,779
Convertible bonds-derivative component	**67,554**	231,150
Held-for-trading financial liabilities	**5,278**	1,084
	37,600,581	21,208,013

(b) Market risk

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

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

32. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

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:

	2013 RMB'000	2012 RMB'000
Assets		
US$		
Bank balances and cash	**608,832**	455,674
HK$		
Bank balances and cash	**7,231**	15,328
Indonesia Rupiah ("IDR")		
Bank balances and cash	**4,174**	–
Other receivable	**4,134**	–
	8,308	–
Liabilities		
US$		
Bank borrowings	**10,515,398**	6,153,571
Convertible bonds – liability component	**750,001**	729,411
Trade payables	**406,756**	248,840
Held-for-trading financial liabilities	**5,278**	1,084
	11,677,433	7,132,906
HK$		
Bank borrowings	**830,935**	319,821
IDR		
Other payable	**1,018**	–

32. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Foreign currency risk management (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% (2012: 5%) strengthening of RMB against the foreign currencies listed above. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

	2013 RMB'000	2012 RMB'000
(Decrease) increase in profit for the year		
if RMB weakens against		
US$	**(453,368)**	(250,396)
HK$	**(33,712)**	(11,418)
IDR	**274**	–
if RMB strengthens against		
US$	**453,368**	250,396
HK$	**33,712**	11,418
IDR	**(274)**	–

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

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings, medium-term debentures and convertible bonds. The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and floating interest rate bank borrowings. The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swap contracts to hedge against its exposures to changes in fair values of certain fixed-rate bank borrowings. The critical terms of these interest rate swaps are similar to those of hedged borrowings.

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

32. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Interest rate risk management (Continued)

Sensitivity analysis

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

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

	2013 **RMB'000**	2012 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**16,582**	1,027
As a result of decrease in interest rate	**(16,582)**	(1,027)

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.

(c) Credit risk

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

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

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

32. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk (Continued)

The Group has concentration of credit risk in respect of bank's acceptance bills receivable as the Group's bills receivable from the Group's top bank amounted to RMB355,241,000 (2012: RMB315,869,000), and represented 17% (2012: 24%) of the total bills receivable as at 31 December 2013. In addition, the Group's top five major banks amounted to RMB1,430,640,000 (2012: RMB796,839,000) and represented 70% (2012: 60%) of the total bills receivable respectively as at 31 December 2013. The credit risk on bills receivable is limited because most of the Group's bills receivable are bank acceptances bills under various banks of good credit ratings.

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

(d) Liquidity risk management

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

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

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

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

32. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6-12 months RMB'000	1-2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2013							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	5.46	1,246,567	966,015	1,434,862	1,886,066	5,533,510	5,111,325
Floating-rate bank borrowings	4.37	4,109,537	3,914,771	3,305,653	3,568,740	14,898,701	14,109,508
Other borrowings	7.10	55,916	59,230	171,005	77,663	363,814	330,000
Short-term debentures	5.68	2,089,181	2,021,478	–	–	4,110,659	4,000,000
Medium-term debentures	6.25	187,500	187,500	1,868,579	5,126,969	7,370,548	6,189,548
Trade payables	–	1,995,649	–	–	–	1,995,649	1,995,649
Other payables	–	4,613,725	427,993	–	–	5,041,718	5,041,718
Convertible bonds	6.50	29,722	29,722	59,444	931,047	1,049,935	750,001
		14,327,797	7,606,709	6,839,543	11,590,485	40,364,534	37,527,749
Derivatives financial liabilities – net settlement							
Held-for-trading financial liabilities							
– Interest rate swaps		714	255	(88)	–	881	871
Derivatives financial liabilities – gross settlement							
Held-for-trading financial liabilities							
– Foreign currency forward contracts							
– inflow		118,190	–	–	–	118,190	117,981
– outflow		(113,775)	–	–	–	(113,775)	(113,574)
		4,415	–	–	–	4,415	4,407
At 31 December 2012							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	6.11	1,693,318	1,872,332	534,359	2,103,822	6,203,831	5,714,365
Floating-rate bank borrowings	7.19	344,834	3,656,802	2,447,584	3,168,191	9,617,411	8,388,527
Medium-term debentures	5.80	43,500	43,500	87,000	1,581,041	1,755,041	1,486,640
Trade payables	–	1,097,744	–	–	–	1,097,744	1,097,744
Bills payable	–	200,000	–	–	–	200,000	200,000
Other payables	–	3,094,986	264,106	–	–	3,359,092	3,359,092
Convertible bonds	6.50	30,642	30,642	61,284	959,848	1,082,416	729,411
		6,505,024	5,867,382	3,130,227	7,812,902	23,315,535	20,975,779
Derivatives financial liabilities – net settlement							
Held-for-trading financial liabilities							
– Interest rate swaps		940	482	(28)	(286)	1,108	1,084

32. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management (Continued)

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

(e) Fair value measurements of financial instruments

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

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

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	At 31 December 2013	At 31 December 2012			
1) Foreign currency forward contracts classified as held-for-trading financial liabilities	**Liabilities- RMB4,407,000**	Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
2) Interest rate swaps classified as held-for-trading financial liabilities	**Liabilities- RMB871,000**	Liabilities- RMB1,084,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
3) Convertible bonds-derivative component classified as financial liabilities at FVTPL	**Liabilities- RMB67,554,000**	Liabilities- RMB231,150,000	Level 3	The fair value of the compound derivative component is derived by removing the liability component from the fair value of Convertible Bonds which is calculated using Binomial Option Pricing Model.	Volatilities were determined based on the historical price volatilities of the Company and three comparable companies under the same periods as the expected life. (Note)

32. FINANCIAL INSTRUMENTS (Continued)

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

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

Note: An increase in the volatilities 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 RMB15,029,000. A 10% decrease in the volatilities holding all other variables constant would decrease the carrying amount of the convertible bonds-derivative component by RMB17,669,000.

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

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

	31 December 2013		31 December 2012	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Convertible bonds – liability component	**750,001**	**946,049**	729,411	713,135
Medium-term debentures	**6,189,548**	**5,756,383**	1,486,640	1,576,155

Note: The fair value hierarchy of the fair value of the Convertible bonds – liability component and medium-term debentures are included in the level 2. The fair values of the financial liabilities included in the level 2 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

32. FINANCIAL INSTRUMENTS (Continued)

(f) Reconciliation of Level 3 fair value measurements

	Convertible bonds derivative component RMB'000
At 1 January 2012	–
Issues	233,403
Changes in fair value during the year (Note29)	(2,253)
At 31 December 2012	231,150
Changes in fair value during the year (Note29)	(163,596)
At 31 December 2013	67,554

Changes in fair value during the period amounting to RMB163,596,000 (2012: RMB2,253,000) relates to derivative component of Convertible bonds issued by the Group and remained outstanding at the end of the reporting period.

33. ACQUISITON OF A SUBSIDIARY

On 27 December 2012, the Company entered into a capital injection agreement to invest RMB36,963,000 in PT. Well Harvest Winning Alumina Refinery (宏發韋立氧化鋁公司) ("Well Harvest") and obtained 60% equity interests in Well Harvest.

As at the date of acquisition, Well Harvest has not yet commenced operation and its production facility was still under construction. As it did not constitute a business under IFRS 3 Business Combinations and the acquisition was in substance an acquisition of the assets of Well Harvest, the above transaction was accounted for as acquisition of assets and liabilities.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	141
Current assets	
Other receivables	874
Cash and cash equivalents	61,747
Current liabilities	
Other payables, deposits received and accruals	(1,157)
Non-controlling interests (40% in Well Harvest)	(24,642)
	36,963

33. ACQUISITON OF A SUBSIDIARY (Continued)

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration paid	36,963
Less: cash and cash equivalents acquired	(61,747)
	(24,784)

34. 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:

	2013 **RMB'000**	2012 RMB'000
Restricted bank deposits	**1,670,576**	872,088
Bills receivable	**304,474**	–
Land use rights	**31,319**	32,016
Property, plant and equipment	**379,496**	–
	2,385,865	904,104

In addition, the Company pledged its shares in China Hongqiao Investment Limited, Hongqiao Investment (Hong Kong) Limited, Hongqiao International Trading Limited and its trade receivables as collateral for a syndicated loan facility of US$460,000,000 (equivalent to RMB2,917,090,000) and HK$320,000,000 (equivalent to RMB261,625,600), all of which were drawn down as at 31 December 2012. During the current year, the Company raised a new syndicated loan facility of US$330,000,000 (equivalent to RMB2,071,707,000) which is also covered by the above collateral, and was drawn down as at 31 December 2013.

35. OPERATING LEASES

The Group as lessee

	2013 **RMB'000**	2012 RMB'000
Minimum lease payments paid under operating leases for premises	**3,669**	3,447

35. OPERATING LEASES (Continued)

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:

	2013 **RMB'000**	2012 RMB'000
Within one year	**3,178**	3,669
In the second to fifth year inclusive	**4,656**	7,501
	7,834	11,170

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

36. COMMITMENTS

	2013 **RMB'000**	2012 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	**3,346,679**	4,572,760
– authorised but not contracted for	**14,571,942**	14,779,206
	17,918,621	19,351,966

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

Notes:

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

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

37. 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 2013:

	2013 RMB'000	2012 RMB'000
Purchases of carbon anode blocks – Aluminum Technology	305,489	262,367
Sales of slag of carbon anode blocks – Aluminum Technology	31,445	24,875

(c) Compensation of key management personnel

	2013 RMB'000	2012 RMB'000
Short term employee benefit	5,652	5,775
Retirement benefits scheme contributions	37	33
	5,689	5,808

(d) Guarantees and security

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

	At 31 December 2013 RMB'000	At 31 December 2012 RMB'000
Chuangye Group	488,800	–

(e) Balances with related parties

	At 31 December 2013 RMB'000	At 31 December 2012 RMB'000
Trade payable Aluminum Technology	6,871	–

38. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

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

39. PARTICULARS OF SUBSIDIARIES

The particulars of subsidiaries of the Company as at 31 December 2013 and 2012 are set out as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2013 %	31 December 2012 %	Principal activity
Hongqiao Investment	BVI 5 February 2010	US$200	**100**	100	Investment holding
Well Harvest	Jakarta, Indonesia 20 March 2012	IDR 94,000,000,000	**60**	60	Manufacture and sales of alumina
Hongqiao Hong Kong	Hong Kong 18 February 2010	HK$10,100	**100**	100	Investment holding
Hongqiao International Trading Limited 宏橋國際貿易有限公司	Hong Kong 11 April 2012	HK$10,000,000	**100**	100	Trading of bauxite
山東宏橋新型材料有限公司 Shandong Hongqiao (note i)	PRC 27 July 1994	US$ 1,303,120,000	**100**	100	Manufacture and sales of aluminum products
山東魏橋鋁電有限公司 Alumina & Power (note i)	PRC 25 December 2002	RMB13,000,000,000	**100**	100	Manufacture and sales of aluminum products
濱州市政通新型鋁材有限公司 Zhengtong (note i)	PRC 20 May 2008	RMB6,200,000,000	**100**	100	Manufacture and sales of aluminum products
惠民縣匯宏新材料有限公司 Huimin Huihong New Aluminum (note i)	PRC 6 December 2011	RMB5,000,000,000	**100**	100	Manufacture and sales of aluminum products
沾化縣匯宏新材料有限公司 Zhanhua Country New Aluminum Profiles Co., Ltd. (note i and ii)	PRC 8 August 2013	RMB200,000,000	**100**	–	Manufacture and sales of aluminum products
阳信縣匯宏新材料有限公司 Yangxin Country New Aluminum Profiles Co., Ltd. (note i and ii)	PRC 9 August 2013	RMB200,000,000	**100**	–	Manufacture and sales of aluminum products
滨州北海匯宏新材料有限公司 Binzhou Beihai New Aluminum Profiles Co., Ltd. (note i and ii)	PRC 2 September 2013	RMB200,000,000	100	–	Manufacture and sales of aluminum products

Notes:

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

(ii) Newly established during the year ended 31 December 2013.

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**426**	479
Investment in subsidiaries	**7,316,124**	5,744,446
Amounts due from subsidiaries	**5,424,043**	5,295,604
	12,740,593	11,040,529
CURRENT ASSETS		
Amount due from a subsidiary	**–**	35,432
Prepayment and other receivables	**1,001**	–
Bank balances and cash	**27,506**	383,132
	28,507	418,564
CURRENT LIABILITIES		
Other payables	**4,690**	4,597
	4,690	4,597
NET CURRENT ASSETS	**23,817**	413,967
TOTAL ASSETS LESS CURRENT LIABILITIES	**12,764,410**	11,454,496
CAPITAL AND RESERVES		
Share capital (Note 30)	**386,206**	386,206
Share premium and reserves	**9,444,810**	8,663,316
TOTAL EQUITY	**9,831,016**	9,049,522
NON-CURRENT LIABILITIES		
Amount due to a subsidiary	**2,115,839**	1,444,413
Convertible bonds – Liability component	**750,001**	729,411
Convertible bonds – Derivative component	**67,554**	231,150
	12,764,410	11,454,496

40. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in reserve

	Share capital RMB'000	Share premium RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2012	**386,206**	**8,026,800**	**(36,128)**	**8,376,878**
Profit and total comprehensive income for the year	**–**	**–**	**2,209,015**	**2,209,015**
Dividend recognised as distribution	**–**	**–**	**(1,536,371)**	**(1,536,371)**
At 31 December 2012	**386,206**	**8,026,800**	**636,516**	**9,049,522**
Profit and total comprehensive income for the year	**–**	**–**	**1,999,438**	**1,999,438**
Dividend recognised as distribution	**–**	**–**	**(1,217,944)**	**(1,217,944)**
At 31 December 2013	**386,206**	**8,026,800**	**1,418,010**	**9,831,016**

41. EVENTS AFTER THE REPORTING PERIOD

The Company's subsidiary, Shandong Hongqiao received the "Approval for the Issue of 2013 Corporate Bonds by Shandong Hongqiao New Material Co., Ltd." from National Development and Reform Commission approving Shandong Hongqiao to issue the Corporate Bonds of no more than RMB2,300,000,000 in PRC. On 3 March 2014, Shandong Hongqiao issued the first tranche of the Corporate Bonds, of a principal amount of RMB1,200,000,000 with a maturity date of 2 March 2021. The debentures bear fixed interest at 8.69% per annum. Interest is payable annually in arrears.