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

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

Annual Report 2018

Contents

Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December (RMB'000)				
	2014	2015	2016	2017 note 1 (restated)	**2018**
Revenue	36,085,800	44,109,934	61,395,578	97,941,916	**90,194,924**
Gross profit	9,296,468	9,028,404	14,196,333	16,380,242	**15,400,562**
Gross profit margin (%)	25.8	20.5	23.1	16.7	**17.1**
Profit before tax	7,327,733	5,335,953	9,764,337	7,116,690	**8,335,692**
Net profit attributable to owners of the Company	5,313,632	3,706,512	6,849,829	5,130,064	**5,407,422**
Net profit margin (%)	14.7	8.3	11.1	5.4	**6.4**
Basic earnings per share (RMB)	0.89	0.59	0.96	0.6986	**0.6218**

Assets and liabilities

	As at 31 December (RMB'000)				
	2014	2015	2016	2017 note 1 (restated)	**2018**
Total assets	83,427,737	106,517,979	142,521,467	158,684,987	**176,726,892**
Equity	32,434,014	36,294,658	45,688,302	53,737,567	**62,619,497**
Total liabilities	50,993,723	70,223,321	96,833,165	104,947,420	**114,107,395**
Return on equity note 2 (%)	17.9	10.7	16.6	10.7	**9.9**
Current ratio (%)	89	78	98	119	**156**
Accounts receivable turnover (days)	3	6	4	5	**18**
Inventory turnover (days)	145	122	114	73	**86**
Accounts payable turnover (days)	30	43	51	48	**70**

Note 1: Restatement for business combination under common control due to the acquisition of Chongqing Weiqiao Financial Factoring Co., Ltd..

Note 2: Calculated based on average equity.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Shiping *(Chairman)*
Ms. Zheng Shuliang *(Vice Chairman)*
Mr. Zhang Bo *(Chief Executive Officer, Authorised Representative)*
Ms. Zhang Ruilian *(Vice President, Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Mr. Yang Congsen
Mr. Zhang Jinglei
Mr. Chen Yisong *(Mr. Zhang Hao as his alternate) (appointed on 31 August 2018)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xing Jian
Mr. Han Benwen
Mr. Dong Xinyi

CHIEF FINANCIAL OFFICER

Ms. Zhang Ruilian

COMPANY SECRETARY

Ms. Zhang Yuexia

AUDIT COMMITTEE

Mr. Han Benwen *(Committee Chairman)*
Mr. Xing Jian
Mr. Dong Xinyi

NOMINATION COMMITTEE

Mr. Xing Jian *(Committee Chairman)*
Mr. Zhang Shiping
Mr. Han Benwen

REMUNERATION COMMITTEE

Mr. Han Benwen *(Committee Chairman)*
Mr. Zhang Shiping
Mr. Xing Jian

AUTHORISED REPRESENTATIVES

Mr. Zhang Bo
Ms. Zhang Yuexia

PLACE OF BUSINESS IN HONG KONG

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The Center
99th Queen's Road Central
Central
Hong Kong

HEAD OFFICE IN THE PRC

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Zouping City
Shandong Province
the PRC

CAYMAN ISLANDS REGISTERED OFFICE

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Grand Pavilion, Hibiscus Way
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Grand Cayman, KY1-1205
Cayman Islands

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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East, Wan Chai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
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Cayman Islands

INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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COMPANY WEBSITE

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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 2018

8,675,394,849

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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Address: 1/F., Zoroastrian Building, 101 Leighton Road, Causeway Bay, Hong Kong

FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
22 March 2019

DATE OF ANNUAL GENERAL MEETING

22 May 2019

EXPECTED DATE OF DIVIDEND PAYMENT

On or before 28 June 2019

Chairman's Statement

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the board of directors (the "Board") of China Hongqiao Group Limited (the "Company" or "China Hongqiao") the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 (the "Year" or the "Year under Review").

MOVING FORWARD WITH DETERMINATION AND SEIZING OPPORTUNITIES

In 2018, the economic development varied around the globe. Countries began to gradually tighten their loose monetary policies, and especially in US, the Federal Reserve hiked rates several times during the Year. At the same time, the world economy was shrouded in uncertainty, with emerging protectionism and the US-China trade war, creating pressure on the commodity market. During the Year, the Chinese economy was generally stable; and the growth rate of indicators such as GDP and industrial added value slowed down.

In the macro market, the overall price of primary aluminum in China showed a wide fluctuation with a slight downward movement in 2018. The supply-side reform of China's aluminum industry clearly showed its effects in 2018, and the domestic primary aluminum output showed the first negative growth for recent years. With the easing pressure on the supply side of primary aluminum, the disequilibrium between supply and demand was significantly improved, which strongly supported the aluminum price. However, due to the weakening of the macro economy, the growth rate of domestic primary aluminum consumption dropped sharply in 2018, which suppressed the rebound of aluminum prices. Meanwhile, the US-China trade war has been escalating, leading to capital risk aversion and affecting the commodity prices in varying degrees. The international unforeseen incidents, to a certain extent, stimulated the rise in aluminum price, but under the influence of various negative factors mentioned above, the domestic primary aluminum price was unable to rise, and showed a clear downward trend in the fourth quarter. The Group expects that the aluminum industry in China will continue to face various challenges brought by the uncertainties in the global trade market in the short term. The Group will monitor the situation closely, make positive efforts and seek opportunities to cope with the challenges.

During the Year, the Group continued to consolidate its leading position in the industry by accelerating the development of its industrial cluster and by optimizing cost structure and economies of scale using the business models of "Integration of Aluminum and Electricity", "Integration of Upstream and Downstream Businesses" and "Global Integration". During the Year under Review, the Group's "Development of Energy-Saving Standardization Demonstration for Electrolytic Aluminum Production" project was included as an initiative project in the "Notice on the Establishment of National Energy-Saving Standardization Demonstration Project by 55 Units including the China General Chamber of Commerce (CGCC)" issued by the Standardization Administration of the People's Republic of China (SAC), and the Group was the only PRC aluminum smelting enterprise to be selected. Mr. Zhang Shiping, founder of the Group and chairman of the Board, also received recognition at the "40 Years of Reform and Opening up, 40 People Representing Shandong Brands" award ceremony. For the overseas business, the Group's alumina project in Indonesia achieved decent operation progress, enjoying booming production and sales volumes for the 1,000,000-tonnes alumina production line during the first stage of the project, which increased the Group's revenue and further improved the net profit generated from operation during the Year. The Group and its partner continued to obtain successful results with its bauxite project in Guinea, Africa, enabling the Group to stabilize the supply of raw materials effectively and lay a foundation for a stronger alumina sales. For the domestic business, the Group had no new production capacity during the Year and actively followed the policies of relevant PRC authorities by implementing production restrictions and energy saving and emission reduction measures during the heating season.

RESULTS PERFORMANCE

During the Year under Review, the Group's revenue amounted to approximately RMB90,194,924,000, representing a year-on-year decrease of approximately 7.9%; gross profit amounted to approximately RMB15,400,562,000, representing a year-on-year decrease of approximately 6.0%; net profit attributable to shareholders of the Company amounted to approximately RMB5,407,422,000, representing a year-on-year increase of approximately 5.4%; basic earnings per share amounted to approximately RMB0.6218 (approximately RMB0.6986 during the same period in 2017).

The Board recommended payment of a final dividend of HK24.0 cents per share for 2018.

SIGNIFICANT RESULTS OF A CUMULATIVE EFFORT

To deliver economies of scale, the Group has devoted years of effort to form an upstream and downstream full-chain operation and sales layout network for bauxite mining, alumina, aluminum products and in-depth processing and sales of aluminum products. During the Year, the Group's revenue from alumina increased significantly, benefiting from the stable operation of the alumina project in Indonesia and our extensive development of the domestic alumina market. At the same time, the Group strove to implement a number of energy conservation and emission reduction plans and improve its environmental protection technologies and continued to maintain ultra-low emissions.

The results from the bauxite project undertaken in Guinea, Africa since 2015 have become more pronounced as time goes by. In December 2018, the Group, its business partners and the Guinea government signed three conventions in relation to mining, railway and alumina plants (the "Conventions"), with the intention of developing a bauxite mining project, a 135 km of railway and an alumina plant. The Group believes that the smooth implementation of these projects will help to ensure the stability of the Group's raw material supply in the long run.

During the Year under Review, the Group further tightened the control of expenditure, which ensured a steady increase in the Group's cash flow and also significantly reduced its business expenditures. In addition to constant support from the principal banks with existing partnerships, the Group actively developed strategic cooperations with other banks. In June 2018, the Group entered into a strategic cooperation agreement with Industrial Bank in Beijing, in which the Industrial Bank provided the Group with a comprehensive credit line of RMB30 billion to support its business development, transformation and upgrading.

FUTURE PROSPECT

Looking forward, the Group will continue to refine its industrial model, build an entire industrial chain for aluminum, explore upstream bauxite resources, promote the high-quality development of the aluminum processing industry, and maintain the cost advantage, toward the goal of achieving high-quality and sustainable development of the Group. The Group will continuously optimize its financial structure and stabilize its cash flow to offset financial market volatility and continue its efforts to maximize shareholder interest. At the same time, the Group will continue its efforts to create an efficient, environmental-friendly and clean industrial chain by responding to national policies and devoting additional resources in the areas of energy conservation, emissions reduction, and environmental safety and protection.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my sincere gratitude to the Group's management team and employees for their efforts and dedication in 2018, as well as to the shareholders, investors and business partners for their support and trust.

Zhang Shiping
Chairman of the Board

22 March 2019

INDUSTRY REVIEW

After a slow recovery in 2017, the global economy showed a steady but fluctuating trend in 2018. The impact of trade friction continued to escalate, which intensified the differentiation of major economies, and led to a decline in the growth rate of global aluminum consumption. According to Antaike's estimates, China's primary aluminum consumption in 2018 was approximately 37.13 million tons, representing a year-on-year increase of approximately 4.7% and accounting for approximately 55.6% of global primary aluminum consumption. The Chinese market was in a slight shortage. The global primary aluminum consumption in 2018 was approximately 66.83 million tons, representing a year-on-year increase of approximately 3.7%, and the growth rate dropped by approximately 2 percentage points. (Source: Beijing Antaike Information Co., Ltd., "Antaike")

China's supply-side reform produced notable results in 2018. The rapid expansion of China's primary aluminum production capacity was effectively suppressed, and production showed its first negative growth in the past decade. China's primary aluminum production in 2018 was approximately 36.59 million tons, representing a decrease of approximately 0.2% from the previous year and accounting for approximately 57.0% of global production. Affected by the Chinese market, global primary aluminum production was approximately 64.20 million tons, and the growth rate dropped sharply to approximately 0.5%. (Source: Antaike)

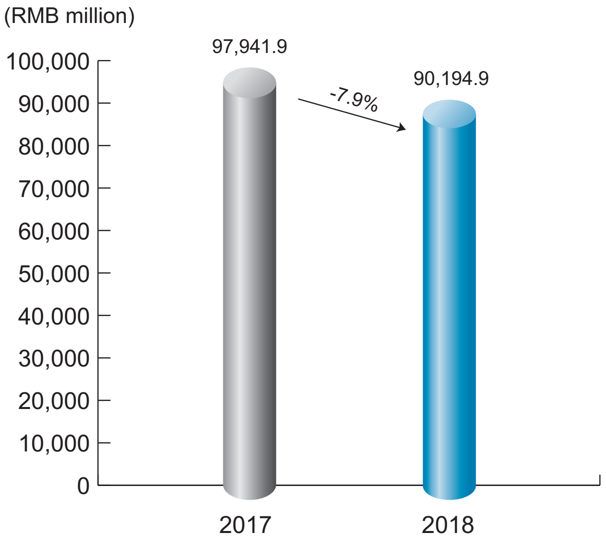
During the Year, the trend of domestic and international aluminum prices varied. The international price fluctuated significantly with a slight upward movement, while the domestic price fluctuated downward. As at 31 December 2018, the London Metal Exchange (LME) three-month aluminum futures price closed at US$1,853/ton, down approximately 18.7% or US$427/ton year-on-year. The annual average prices of spot-month aluminum and three-month aluminum futures at LME were approximately US$2,110/ton and US$2,114/ton, respectively, representing an increase of approximately 7.2% and 6.8% from 2017, respectively. As at 28 December 2018, the Shanghai Futures Exchange (SHFE) three-month aluminum futures price closed at RMB13,695/ton (including tax), down approximately 11.2% year-on-year. The annual average prices of spot-month aluminum and three-month aluminum futures at SHFE were RMB14,251/ton (including tax) and RMB14,432/ton (including tax), respectively, representing a decrease of approximately 1.7% and 1.6% from 2017, respectively. (Source: Antaike)

BUSINESS REVIEW

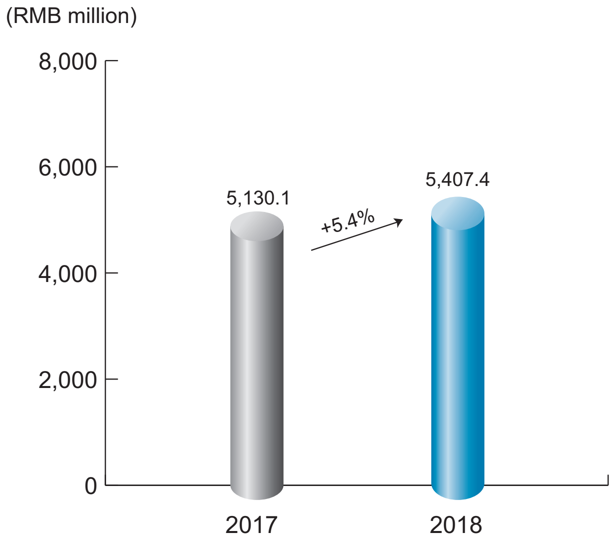
During the Year, the Group continued to strengthen its integrated industry cluster model as originally planned to enhance the core competitiveness and to reinforce the Group's industrial leading position.

The Group's revenue and net profit attributable to shareholders of the Company for the year ended 31 December 2018, with comparison figures for the year ended 31 December 2017, are as follows:

Revenue



Net profit attributable to shareholders of the Company



For the year ended 31 December 2018, the Group recorded revenue of approximately RMB90,194,924,000, representing a year-on-year decrease of approximately 7.9%, which was mainly due to a decrease in the Group's production and sales volume of aluminum alloy products during the Year as compared with the same period of last year as the Group responded to the supply-side reform in China aluminum industry by closing down some production lines for aluminum alloy products in the second half of 2017.

During the Year, the Group's sales volume of aluminum alloy products amounted to approximately 5,865,000 tons, representing a decrease of approximately 18.0% as compared with approximately 7,155,000 tons in the same period last year. During the Year, the Group's sales volume of aluminum fabrication products amounted to approximately 493,000 tons, representing an increase of approximately 31.1% as compared with approximately 376,000 tons in the same period last year. During the Year, the Group's sales volume of alumina products amounted to approximately 4,090,000 tons, representing a year-on-year increase of approximately 117.9% as compared to approximately 1,877,000 tons for the same period of last year. The increase in the sales volume of alumina was mainly due to the fact that the Group shut off some aluminum alloy production lines, which led to a corresponding increase in alumina available for sale; and the Group actively adjusted its sales strategies and expanded into the domestic alumina products market, which led to an increase in the sales of alumina.

For the year ended 31 December 2018, the net profit attributable to the shareholders of the Company amounted to approximately RMB5,407,422,000, representing a year-on-year increase of approximately 5.4%. Although there is a decrease in the sales volume of aluminum alloy products, which led to a decrease in the Group's gross profit of approximately RMB979,680,000 as compared to last year, and the exchange loss during the Year of approximately RMB794,178,000 (compared to 2017, an exchange gain of approximately RMB529,161,000), under the influence of the shut-off of some aluminum alloy production lines in 2017, a significant year-on-year decrease in impairment loss of property, plant and equipment that credited to other expenses led to an increase in the net profit attributable to the shareholders of the Company during the Year.

The table below is a comparison of the breakdown of revenue by product for the years ended 31 December 2018 and 2017.

Revenue breakdown by product

	For the year ended 31 December			
	2018		2017	
Products	**Revenue**	**Percentage of Total revenue**	Revenue	Percentage of Total revenue
	RMB'000	**%**	RMB'000	%
Aluminum alloy products	**71,516,392**	**79.3**	87,721,105	89.6
Alumina	**11,044,951**	**12.2**	4,629,264	4.7
Aluminum fabrication products	**7,134,952**	**7.9**	5,416,862	5.5
Steam	**498,629**	**0.6**	174,685	0.2
Total	**90,194,924**	**100.0**	97,941,916	100.0

As for revenue from aluminum alloy products, the Group's revenue derived from aluminum alloy products was approximately RMB71,516,392,000, accounting for approximately 79.3% of the total revenue for the year ended 31 December 2018 and representing a decrease in proportion as compared with the same period of last year, which was mainly due to the Group shutting off some aluminum alloy products production lines in the second half of 2017, resulting in a decrease in both production and sale volume of aluminium alloy products during the Year as compared with the same period of last year. The Group's revenue derived from alumina was approximately RMB11,044,951,000, accounting for approximately 12.2% of the total revenue for the year ended 31 December 2018 and representing an increase in proportion as compared with the same period of last year. The Group's revenue derived from aluminum fabrication products was approximately RMB7,134,952,000, accounting for approximately 7.9% of the total revenue for the year ended 31 December 2018 and representing an increase in proportion as compared with the same period of last year. Such increases in proportion were achieved mainly because the Group has grasped market opportunities, actively adjusted sales strategies and increased market expansion efforts, which resulted in the increase in both sales volume and sales prices of the alumina and aluminum fabrication products.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin from its major products for the years ended 31 December 2018 and 2017:

	For the year ended 31 December					
	2018			2017		
Products	**Revenue**	**Gross Profit**	**Gross Profit Margin**	Revenue	Gross Profit	Gross Profit Margin
	RMB'000	**RMB'000**	**%**	RMB'000	RMB'000	%
Aluminum alloy products	**71,516,392**	**11,559,271**	**16.2**	87,721,105	14,494,226	16.5
Alumina	**11,044,951**	**3,356,737**	**30.4**	4,629,264	1,496,531	32.3
Aluminum fabrication products	**7,134,952**	**503,355**	**7.1**	5,416,862	369,555	6.8
Steam	**498,629**	**(18,801)**	**(3.8)**	174,685	19,930	11.4
Total	**90,194,924**	**15,400,562**	**17.1**	97,941,916	16,380,242	16.7

For the year ended 31 December 2018, the overall gross profit margin of the Group was approximately 17.1%, which basically remained the same as the corresponding period of last year. The Group will continue to strengthen the cost control and upgrade the production technology to enhance its market competitiveness.

Distribution and selling expenses

For the year ended 31 December 2018, the Group's distribution and selling expenses were approximately RMB371,206,000, representing an increase of approximately 37.4% as compared with approximately RMB270,215,000 for the corresponding period of last year, which was mainly due to the increase in transportation cost brought by the growth in the sales of alumina of the Group.

Administrative expenses

For the year ended 31 December 2018, the administrative expenses of the Group amounted to approximately RMB3,867,211,000, representing an increase of approximately 85.6% as compared with approximately RMB2,083,209,000 for the corresponding period of last year. The main reasons were that, on one hand, the assets depreciation and staff remuneration which were accounted for as administrative expenses increased during the Year as the Group responded to the supply side reform in China aluminum industry to shut off certain production capacity in the second half of 2017; on the other hand, being affected by the depreciation of RMB, the exchange loss of the Group during the Year increased (exchange gain for the same period of 2017 was accounted for as other income and gains). Also, due to the increasing expense in research and development, the Group's research and development fee, which was accounted for as administrative expenses, increased correspondingly.

Finance costs

For the year ended 31 December 2018, the finance costs of the Group were approximately RMB4,433,389,000, representing an increase of approximately 8.6% as compared with approximately RMB4,080,942,000 for the corresponding period of last year. This was mainly due to the increase of total amount of interest-bearing debt of the Group during the Year as compared to the same period of last year.

Liquidity and capital resources

As at 31 December 2018, the cash and cash equivalents of the Group were approximately RMB45,380,413,000, representing an increase of approximately 106.8% as compared with approximately RMB21,947,939,000 as at 31 December 2017. The increase in cash and cash equivalents was mainly due to the net cash inflow from operating activities, investing activities and financing activities of the Group during the Year.

For the year ended 31 December 2018, the Group had a net cash inflow from investing activities of approximately RMB5,448,816,000, a net cash inflow from financing activities of approximately RMB8,602,846,000, and a net cash inflow from operating activities of approximately RMB9,359,963,000.

For the year ended 31 December 2018, the capital expenditure of the Group amounted to approximately RMB4,168,941,000, mainly for the renovation and upgrading of the environmental protection projects and the payment for the quality guarantee deposits of the pre-construction projects in accordance with the relevant contracts.

As at 31 December 2018, the Group had capital commitment of approximately RMB794,563,000, representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the renovation and upgrading of the environmental protection projects and the continuous payment for the quality guarantee deposits of the pre-construction projects in accordance with the relevant contractual terms.

For the year ended 31 December 2018, the Group's average turnover days of trade receivables were approximately 18 days, representing an increase of 13 days as compared with approximately 5 days for the corresponding period of last year. This was mainly because, on one hand, certain length of credit period was granted to the premium downstream clients by the Group, and on the other hand, the corresponding trade receivables increased with the growth in the sales volume of the Group's aluminum fabrication products.

For the year ended 31 December 2018, the Group's turnover days of inventory were approximately 86 days, representing an increase of 13 days as compared with approximately 73 days for the corresponding period of last year, which was mainly attributable to the increase in raw material reserve and inventory balance of the Group.

Contingent liability

As at 31 December 2018, the Group has no significant contingent liability.

Income tax

The Group's income tax for 2018 amounted to approximately RMB2,549,440,000, increased by approximately 42.5% as compared to approximately RMB1,788,953,000 for the corresponding period of last year, which was mainly attributable to the increase in profit before tax and deferred tax of the Group.

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

Net profit attributable to shareholders of the Company was approximately RMB5,407,422,000 for the year ended 31 December 2018, representing an increase of approximately 5.4% as compared to approximately RMB5,130,064,000 for the corresponding period of last year.

Basic earnings per share of the Company in 2018 were approximately RMB0.6218 (2017: approximately RMB0.6986).

Capital structure

The Group has established an appropriate liquidity risk management framework to manage its short, medium and long-term funding needs and to satisfy its liquidity management requirements. As at 31 December 2018, the cash and cash equivalents of the Group amounted to approximately RMB45,380,413,000 (31 December 2017: approximately RMB21,947,939,000), which were mainly put in commercial banks. Considering that as at 31 December 2018, approximately RMB27,765,155,000 of the Group's debts will be due within a year, such level of cash and cash equivalents would facilitate in ensuring stable operation and flexibility of the Group's business. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources to satisfy the business need and maintain a good and stable financial position.

As at 31 December 2018, the total liabilities of the Group amounted to approximately RMB114,107,395,000 (31 December 2017: approximately RMB104,947,420,000). Gearing ratio (total liabilities to total assets) was approximately 64.6% (31 December 2017: approximately 66.1%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and prepaid lease payments as collateral for bank borrowings to provide funding for its daily business operation and project construction. As at 31 December 2018, the Group had secured bank borrowings of approximately RMB9,019,717,000 (31 December 2017: approximately RMB8,916,083,000).

As at 31 December 2018, the Group's total bank borrowings were approximately RMB30,197,538,000. 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 2018, approximately 15.6% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 84.4% were subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of funding through various debt financing instruments. As at 31 December 2018, debts except bank borrowings of the Group include approximately RMB1,366,569,000 of other borrowings, RMB4,000,000,000 of short-term notes, approximately RMB42,830,014,000 of medium-term notes and bonds, approximately RMB3,078,664,000 of guaranteed notes as well as approximately RMB1,427,247,000 of CBs with interest rates ranging from 3.84% to 8.69% per annum. Such other borrowings and the issuance of such notes and bonds helps to optimise the Group's debt structure and reduce its financial costs.

As at 31 December 2018, the Group had net current assets of approximately RMB32,051,813,000. The Group will continue to develop other financing channels and optimise the structure of debts. In addition, the Group will sustain its existing production capacity advantage, control its production costs, improve its profitability and improve its cash flow position in order to maintain the adequate liquidity of the Group.

As at 31 December 2018, the Group's liabilities were mainly denominated in RMB and US Dollars, among which, RMB liabilities accounted for approximately 82.8% of the total liabilities, and US Dollars liabilities accounted for approximately 17.2% of the total liabilities. The Group's cash and cash equivalents were mainly held in RMB and US Dollars, of which approximately 97.8% was held in RMB and approximately 1.9% was held in US Dollars.

Employee and remuneration policy

As of 31 December 2018, the Group had a total number of 47,584 employees, representing a decrease of 2,916 employees as compared with the corresponding period of the year, which was mainly attributable to the normal employee mobility. During the Year, the total staff costs of the Group amounted to approximately RMB3,337,826,000, representing approximately 3.7% of its total revenue. The remuneration packages of the employees include salaries and various types of benefits. In addition, the Group established a performance-based incentive mechanism under which the employees may be awarded by additional bonuses. The Group provided training programs for employees to equip them with the requisite skills and knowledge.

Foreign exchange risk

The Group collected most of its revenue in RMB and funded most of its capital expenditures in RMB. Due to the importation of bauxite, production equipment, and as certain bank balances, borrowings, CBs and senior notes are denominated in foreign currencies, the Group is exposed to certain risks of foreign exchange. As at 31 December 2018, the Group's bank balances denominated in foreign currencies were approximately RMB987,720,000, and liabilities denominated in foreign currencies were approximately RMB14,221,324,000. For the year ended 31 December 2018, the Group recognised foreign exchange loss of approximately RMB794,178,000.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 22 January 2018, Shandong Hongqiao New Material Co., Ltd. (山東宏橋新型材料有限公司, an indirect wholly-owned subsidiary of the Company) ("Shandong Hongqiao") and Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司) ("Chuangye Group") entered into an equity transfer agreement, pursuant to which Shandong Hongqiao agreed to purchase and Chuangye Group agreed to sell 55% equity interests in Chongqing Weiqiao Financial Factoring Co., Ltd. (重慶魏橋金融保理有限公司) ("Chongqing Weiqiao") at a total consideration of RMB284,406,598.33. Chuangye Group, a connected person of the Company, was held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company. The acquisition was completed on 25 January 2018. Upon completion of the acquisition, Chongqing Weiqiao became a non-wholly-owned subsidiary of the Company. Details of the above acquisition were disclosed in the announcements of the Company dated 17 January 2017 and 22 January 2018.

On 30 June 2018, Binzhou City Zhanhua District Huihong New Material Co., Ltd. (濱州市沾化區匯宏新材料有限公司, an indirect wholly-owned subsidiary of the Company) ("Zhanhua Huihong New Material"), disposed of the entire issued share capital of its wholly-owned subsidiary, Binzhou City Zhanhua District Maohong New Material Co., Ltd. (濱州市沾化區茂宏新材料有限公司) ("Zhanhua Maohong New Material"), to an independent third party at a cash consideration of RMB2,950,000,000. RMB1,475,000,000 of the consideration was received during the Year. The remaining balances of RMB590,000,000 and RMB885,000,000 will be received on 30 June 2019 and 31 December 2019 respectively. The remaining balance in aggregate of RMB1,475,000,000 is guaranteed by the acquirer's associated company which also is one of the major suppliers of the Group. The fair value of the consideration is assessed at net present value and discounted by weighted averaged borrowing costs of the Group.

Save as disclosed above, there was no other substantial acquisition and disposal in relation to subsidiaries, associates and joint ventures of the Company during the year ended 31 December 2018.

Significant Investment Held

Save as disclosed herein, there was no other significant investment held by the Group that had a material impact on its overall operation during the year ended 31 December 2018.

Future Plans for Material Investments or Capital Assets

During the year ended 31 December 2018 and as at the date hereof, there was no plan for material investments or capital assets approved by the Group.

MAJOR RISKS AND UNCERTAINTIES

The Group faces certain risks and uncertainties during its operation, among which, there are certain risks that the Group cannot control. Such risks and uncertainties include factors such as economy conditions of both inside and outside China, credit policy and foreign exchange policies of the PRC, and changes related to laws and regulations and enforcement policies, and the prices and supply of raw materials and aluminum products.

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

ENVIRONMENTAL PROTECTION POLICY

The Group has established a dedicated environmental protection department. The environmental protection department is responsible for overseeing the environmental protection of the Group as a whole, such as formulating environmental related guidelines and policies for the Group, monitoring the latest development in the environmental-related laws, regulations and standards in the PRC, regularly inspecting the production facilities and the pollutant discharge facilities of the Group, handling the application for environmental protection approvals and the inspection and any other necessary filings for the construction projects of the Group and so on.

During the power generation process, power plant discharges sewage, emits air pollutants, such as sulphur dioxide, and produces noise. The Group has installed dedusting and desulphurisation and denitrificaiton equipment in its power station to reduce the emission of air pollutants. The Group has also installed water recycling and treatment equipment to minimise the impact of sewage on the environment. The Group's power station has obtained the pollutant emission permits and has satisfied the emission requirements provided by local governments. In addition, the Group has installed sound insulation equipment to reduce the impact of the noise produced in the daily operations of the power station. The Group has implemented and completed the super-low emission's reform of all power generation units and all power generation units have met a standard level higher than the level required for the gas power generation units.

During the manufacturing process of aluminum products, the Group's factory discharges sewage, emits air pollutants and produces noise. The Group has installed equipment for dedusting as well as flue gas desulphurization and purification in the manufacturing facilities to minimise the emission of air pollutant. The Group recycles and reuses aluminum scraps generated during the production process, so as to reduce industrial waste and increase its utilization. The Group has improved the energy-efficiency by applying new production techniques and new technologies and optimising its production process. In addition, the Group has installed sound insulation equipment to reduce the impact of the noise produced in the daily operations of its manufacturing bases.

IN COMPLIANCE WITH LAWS AND REGULATIONS

The Company is established in Cayman Islands, most of the Group's operations are performed in domestic China, while the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2018 and until the date of publishing this annual report, the Group has always been committed to complying with relevant requirements of the laws and regulations in operation respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

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

Suppliers

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

Customers

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

FUTURE PROSPECT

Future prospect of the Group is set out in the section headed "Future Prospect" in Chairman's Statement on page 7.

Directors and Senior Management

DIRECTORS

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

Name	Age	Position
Mr. ZHANG Shiping	72	Chairman and Executive Director
Ms. ZHENG Shuliang	72	Vice Chairman and Executive Director
Mr. ZHANG Bo	49	Chief Executive Officer and Executive Director
Ms. ZHANG Ruilian	41	Vice President, Chief Financial Officer and Executive Director
Mr. YANG Congsen	49	Non-executive Director
Mr. ZHANG Jinglei	42	Non-executive Director
Mr. CHEN Yisong	50	Non-executive Director
Mr. ZHANG Hao	45	An alternate Director of Mr. CHEN Yisong
Mr. XING Jian	69	Independent Non-executive Director
Mr. HAN Benwen	68	Independent Non-executive Director
Mr. DONG Xinyi	42	Independent Non-executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 72, was appointed the chairman and an executive Director of our Company on 16 January 2011. He joined our Group in July 1994 and is the founder of our Group. Mr. Zhang joined Shandong Weiqiao Alumina & Power Co., Ltd. (山東魏橋鋁電有限公司) ("Weiqiao Aluminum & Power") in December 2002 as a director. He has thirteen years of experience in aluminum industry since the commencement of aluminum business in 2006. He is responsible for the overall strategic planning of our Group. He graduated from Anhui College of Finance and Trading (安徽財貿學院) and obtained a diploma in cotton testing in December 1991. He is recognised as a qualified senior economist by the Shandong Economic Professional and Technical Title Senior Evaluating Committee (山東省經濟專業職務高級評審委員會) in 1989. Mr. Zhang has been a director of Shandong Hongqiao since July 1994. He served as the general manager and chairman of Chuangye Group (including its predecessor) from March 1996 to September 2018, 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, the chairman of Binzhou Weiqiao Aluminum Technology Co., Ltd. (濱州魏橋鋁業科技有限公司) from December 2002 to September 2007, the party secretary of Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社) from March 1998 to February 2004 and a director of China Hongqiao Holdings Limited ("Hongqiao Holdings") from 5 February 2010 to 17 February 2012. He is currently a non-executive Director of Weiqiao Textile, the 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)), and the chairman of Weiqiao Pioneering (Hong Kong) Import & Export Company Limited (魏橋創業(香港)進出口有限公司). He was a representative of the 9th, 10th and 12th National People's Congress and was selected by the State Council as "National Model Worker in 1995". In 2016, he was awarded as "Top Ten Economic Figures of China in 2015". He is the husband of Ms. Zheng Shuliang, the father of Mr. Zhang Bo and the father-in-law of Mr. Yang Congsen.

Ms. Zheng Shuliang (鄭淑良), aged 72, 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 49, was appointed an executive Director and chief executive officer of our Company on 16 January 2011. He joined our Group in 2006 and has been the general manager and the chairman of the board of directors of Weiqiao Alumina & Power since November 2006. Mr. Zhang Bo has tweleve years of experience in aluminum industry. He is responsible for overseeing our Group's general operation. 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 has over twenty years of management experience. He had also been the deputy general manager of Chuangye Group from April 1998 to February 1999, general manager, executive director, chairman of Weiqiao Textile (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010 and the chairman and general manager of Binzhou Industrial Park from November 2001 to May 2010. He has been a chairman of Chuangye Group, a director of Shandong Hongqiao since January 2010, a director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) ("Hongqiao Trading") since April 2012 and a director of Hongqiao Investment (Hong Kong) Limited since January 2015. He has been the chairman of Binzhou Aluminum Industry Association since June 2014, a deputy to the vice president of China Non-ferrous Metals Industry Association since March 2015, a vice chairman of the International Aluminium Institute since November 2016 and the chairman of Shandong Aluminium Industry Association since March 2019. He was selected by the State Council as "National Model Worker" in 2010. He was a representative of the twelfth Shandong Provincial People's Congress. Mr. Zhang Shiping is his father and Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Ms. Zhang Ruilian (張瑞蓮), aged 41, has been appointed as an executive director of the Company on 11 December 2017. She joined our Group in June 2006 and has over eighteen years of experience in accounting. She is responsible for the supervision of the Group's finance and accounting affairs. 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 served as the manager of audit department of Chuangye Group from December 2005 to June 2006. She has been the head of financial department of Weiqiao Alumina & Power since June 2006, a director of Weiqiao Alumina & Power since December 2014, the manager of financial department of Shandong Hongqiao since February 2010, a director of Shandong Hongqiao since December 2014, and a director of Hongqiao Trading since April 2012. She is currently the vice president and the chief financial officer of our Company.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 49, 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 eighteen years of management experiences. He was responsible for the production and operation of the self-owned power plants of our Group and was also the deputy general manager of Weiqiao Alumina & Power prior to the listing of our Company in 2011. He held the positions of the network administrator of human resources division of Chuangye Group (including its predecessor) from October 1997 to December 1999, head of thermal power plant of Chuangye Group from December 1999 to October 2003, and deputy general manager of Chuangye Group from January 2005 to June 2006. He is currently a director of Chuangye Group, a director of Shandong Hongqiao and a director of Weiqiao Alumina & Power. 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 42, 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 capital markets department of Weiqiao Textile from October 2000. He is currently an executive director and company secretary of Weiqiao Textile (Stock Code: 2698.HK) and a director of Chuangye Group.

Mr. Chen Yisong (陳一松), aged 50, was appointed as a non-executive Director of the Company on 31 August 2018. He graduated from University of Science and Technology Beijing (北京科技大學) in Beijing, the PRC, majoring in computer science and its application in July 1990, and from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a master of economics degree majoring in finance in December 2001. Mr. Chen served as the deputy section chief and the section chief of the treasury department of China CITIC Industrial Bank (中信實業銀行, currently known as China CITIC Bank Corporation Limited (中信銀行股份有限公司, stock code: 998.HK and 601998.SH)) successively from February 1992 to January 1999. He served as the deputy head and the head of president office of CITIC Securities Co., Ltd. (中信證券股份有限公司, stock code: 600030.SH), successively from January 1999 to January 2004. From September 2004 to May 2006, Mr. Chen served as the deputy head of president office of China Construction Bank Corporation (中國建設銀行股份有限公司, stock code: 939.HK and 601939.SH). He also served as the deputy general manager, the general manager and the deputy chairman of the board of directors of CITIC Trust Co., Ltd. (中信信託有限責任公司) ("CITIC Trust") successively from May 2006 to June 2014. From 11 December 2017 to 2 February 2018, he had also served as a non-executive Director of the Company. From 2 February 2018 to 31 August 2018, he had served as a strategy and development consultant of the Company. Since June 2014, Mr. Chen has been the chairman of the board of directors and the secretary of the Communist Party Committee of CITIC Trust and concurrently served as the chairman of China Trustee Association (中國信託業協會). Mr. Chen has also been an executive director of CTI Capital Management Limited (中信信惠國際資本有限公司) ("CTICM") since October 2014.

Mr. Zhang Hao (張 浩), aged 45, was appointed as an alternate Director of Mr. Chen Yisong on 31 August 2018. He graduated from University of International Business and Economics (對外經濟貿易大學, formerly known as China Institute of Finance (中國金融學院)) in Beijing, the PRC with a bachelor of economics degree majoring in international finance in July 1996. He served as a foreign exchange trader and the deputy manager of the treasury department of China CITIC Industrial Bank* (中信實業銀行, currently known as China CITIC Bank Corporation Limited (中信銀行股份有限公司, stock code: 998.HK and 601998.SH)) successively from August 1996 to June 2003. He served as a director of the financial market department of Calyon Hong Kong Limited from July 2003 to June 2005, and an executive director of financial market department of Bear Stearns Asia Limited from July 2005 to June 2008. He also served as the managing director of financial market department of Standard Chartered Bank (HK) Ltd, from July 2008 to July 2014. From 11 December 2017 to 2 February 2018, he served as an alternate Director to Mr. Chen Yisong, a non-executive Director of the Company. Since August 2014, he has served as the chief executive officer and the executive director of CTICM and also served in CTI Capital Hong Kong Limited (中信信惠國際資本(香港)有限公司, being a wholly-owned subsidiary of CTICM and holding licenses issued by the Securities and Futures Commission of Hong Kong to carry out regulated activities) as the chief executive officer, executive director, the responsible officer for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities and the licensed representative for type 9 (asset management) regulated activities. Mr. Zhang concurrently serves as the director of international business of CITIC Trust.

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 69, 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. Han Benwen (韓本文), aged 68, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognised by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. He worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) (formerly known as Zouping Jianxin Certified Public Accountants Corporation) as an accountant from December 1999 to February 2007. He has been 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.

Mr. Dong Xinyi (**董新義**), aged 42, has been appointed as an independent non-executive Director of the company on 11 December 2017. He graduated from Northwest Institute of Politics and Law (西北政法學院, currently known as Northwest University of Politics and Law (西北政法大學)) in Xi'an, Shanxi Province, the PRC with a bachelor of law degree majoring in international economic law in July 2000; from Korea University in Seoul, Korea with a master of law degree in August 2006 and the degree of doctor of philosophy in law in August 2009, respectively. He served as a clerk at the civil and administrative procuratorial office, the People's Procuratorate of Huangdao District, Qingdao City, Shandong Province from July 2000 to March 2004. He served as the department head of the legal affair department of Sino-Korea Future Urban Development Co., Ltd. (韓中未來城市開發株式會社) in Korea from July 2009 to July 2010. He served as a postdoctoral researcher at Law School of Renmin University of China (中國人民大學) from July 2010 to June 2012. Since July 2012, he has been serving in various positions at Central University of Finance and Economics (中央財經大學, the "CUFE"), including as a teaching staff and an associate professor. He has concurrently been serving as the deputy head of the Research Center for Internet and Informal Finance Laws of CUFE (中央財經大學互聯網金融與民間融資法治研究中心) since May 2015 and the head of Research Center for Technology and Finance Law of CUFE* (中央財經大學科技與金融法律研究中心) since June 2017. He has also been the director of Beijing Institute of Financial Services Law (北京市金融服務法學研究會) since December 2014, an attorney at Beijing King & Capital Law Firm (北京市京都律師事務所) since February 2016, and the director of Institute of Securities Law of China Law Society (中國法學會證券法學研究會) since April 2017.

SENIOR MANAGEMENT

Mr. Deng Wenqiang (**鄧文強**), aged 47, 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. He joined our Group in January 2003. He is responsible for the production and the research and development of aluminum products of our Group. He previously held the positions of workshop director, vice factory director and factory director of Weiqiao Alumina & Power from January 2003 to June 2006. He is currently the deputy general manager of Weiqiao Alumina & Power and deputy general manager of Shandong Hongqiao, the executive director and manager of Huimin County Huihong New Aluminum Profiles Co., Ltd.(惠民縣滙宏新材料有限公司) and executive director and manager of Binzhou Beihai Huihong New Aluminum Profiles Co., Ltd.(濱州北海匯宏新材料有限公司). In 2000, he was awarded the first prize for his quality control achievements by Shandong Province Metallurgical Industry Corporation. In 2005, he was recognised as the Advanced Individual of Science and Technology Work by Shandong Province Metallurgical Industry Corporation. In 2016, he was awarded the First Prize of the China Nonferrous Metals Industry Scientific Technology Award issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) for his technical development and industrialization application of NEUI600kA efficient aluminum electrolytic cell. In 2018, he received accreditation as a senior metallurgical engineer from the Senior Professional and Technical Title Qualification Evaluation Committee of China Nonferrous Metal Mining (Group) Co. Ltd. (中國有色礦業集團有限公司高級專業技術職務任職資格評審委員會). He was elected as the representative of the 15th and 17th People's Congress of Zouping County and the 9th and 10th People's Congress of Binzhou Municipality.

COMPANY SECRETARY

Ms. Zhang Yuexia (**張月霞**), aged 43, 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 seventeen years of 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 has been serving as the director of Hongqiao Trading since April 2012. She had not served any position in our Group prior to 16 January 2011.

The Directors of the Company present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

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

Details of the subsidiaries of the Company are set out in note 56 to the consolidated financial statements.

DIVIDEND POLICY

The Company has adopted a dividend policy, pursuant to which the Company may declare and distribute dividends to the shareholders of the Company to allow shareholders to share the Company's profits and the Company to retain adequate reserves for future growth.

According to the articles of association of the Company (the "Articles of Association"), the declaration of dividends is subject to the discretion of the Board and the approval of the shareholders. In proposing any dividend payment, the Directors shall take into account the Company's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements as well as any other factors as they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Articles of Association and the Companies Law of the Cayman Islands, including the approval of the shareholders. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

The dividends paid by the Company will also depend upon the availability of dividends received from the Company's subsidiaries in the PRC. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their profit for the year as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Company's subsidiaries may also be restricted if they incur debt or losses or pursuant to any restrictive covenants in bank credit facilities or other agreements that the Company or the Company's subsidiaries and associated companies may enter into.

Any dividends declared will be in Hong Kong dollars with respect to the shares of the Company on a per share basis, and the Company will pay such dividends in Hong Kong dollars.

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2018 and the financial position of the Group as at 31 December 2018 are set out on pages 61 to 63 in the audited consolidated financial statements of this annual report.

The Board proposed the payment of a final dividend of HK24.0 cents per share for the year ended 31 December 2018. The proposed final dividend, subject to the approval of the shareholders at the 2018 annual general meeting (the "2018 Annual General Meeting") held on 22 May 2019, will be paid on or before 28 June 2019 to the shareholders whose names appear on the register of members of the Company on 14 June 2019.

There was no arrangement under which any shareholder of the Company has waived or agreed to waive any dividend during the Year.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Friday, 17 May 2019 to Wednesday, 22 May 2019 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the 2018 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 Thursday, 16 May 2019. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The share register of the Company will be closed from Monday, 10 June 2019 to Friday, 14 June 2019 (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 Thursday, 6 June 2019. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, 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 2014, 2015 and 2016, and from the audited consolidated financial statements of the Group for the years ended 31 December 2017 and 2018 on pages 61 to 63 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000 (restated)	**2018** **RMB'000**
Revenue	36,085,800	44,109,934	61,395,578	97,941,916	**90,194,924**
Cost of sales	(26,789,332)	(35,081,530)	(47,199,245)	(81,561,674)	**(74,794,362)**
Gross profit	9,296,468	9,028,404	14,196,333	16,380,242	**15,400,562**
Other income and gains	739,020	744,676	1,019,222	2,497,598	**2,135,396**
Selling and distribution expense	(94,520)	(88,449)	(164,269)	(270,215)	**(371,206)**
Administrative expenses	(610,884)	(878,696)	(2,080,550)	(2,083,209)	**(3,867,211)**
Other expenses	(79,940)	(42,670)	(20,063)	(5,678,876)	**(706,916)**
Finance costs	(1,905,377)	(3,217,096)	(3,345,896)	(4,080,942)	**(4,433,389)**
Changes in the fair value of derivative	(17,034)	(209,932)	25,987	(19,897)	**397,683**
Share (loss) profit of associates	–	(284)	129,012	371,989	**429,545**
Gain (loss) on disposal of subsidiaries	–	–	4,561	–	**(648,772)**
Profit before tax	7,327,733	5,335,953	9,764,337	7,116,690	**8,335,692**
Income tax expense	(2,026,366)	(1,657,994)	(2,948,667)	(1,788,953)	**(2,549,440)**
Profit for the year	5,301,367	3,677,959	6,815,670	5,327,737	**5,786,252**
Profit (loss) for the year attributable to:					
Owners of the parent	5,313,632	3,706,512	6,849,829	5,130,064	**5,407,422**
Non-controlling interests	(12,265)	(28,553)	(34,159)	197,673	**378,830**

Assets and liabilities

	As at 31 December				
	2014	2015	2016	2017	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000 (restated)	**RMB'000**
Total assets	83,427,737	106,517,979	142,521,467	158,684,987	**176,726,892**
Total liabilities	50,993,723	70,223,321	96,833,165	104,947,420	**114,107,395**

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in note 17 to the consolidated financial statements.

PLEDGED ASSETS

Details of pledged assets of the Group were set out in note 48 to the audited annual consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2018 are set out in notes 34, 35, 36, 37, 38 and 39 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 2018 and as at that date are set out in note 42 to the consolidated financial statements. The Company does not have any share option scheme.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and the law of the Cayman Islands, 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.

DIRECTORS' 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 2018 and as at the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2018 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 shares or debentures of the Company or any other associated corporations or had exercised any such right in the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year under Review, on 25 June 2018, 26 June 2018, 27 June 2018, 28 June 2018, 29 June 2018, 3 July 2018, 4 July 2018, 5 July 2018, 6 July 2018, 9 July 2018, 10 July 2018, 11 July 2018, 12 July 2018, 13 July 2018, 31 August 2018, 3 September 2018, 4 September 2018, 5 September 2018, 6 September 2018, 7 September 2018, 10 September 2018, 11 September 2018, 12 September 2018, 13 September 2018 and 14 September 2018, pursuant to the share repurchase mandate granted by the Shareholders of the Company at the annual general meeting held on 16 May 2018, the Company repurchased 1,660,000 ordinary shares, 2,690,500 ordinary shares, 2,054,000 ordinary shares, 3,968,000 ordinary shares, 2,988,000 ordinary shares, 2,330,000 ordinary shares, 3,705,000 ordinary shares, 3,570,000 ordinary shares, 2,496,000 ordinary shares, 1,920,000 ordinary shares, 1,594,000 ordinary shares, 1,870,000 ordinary shares, 5,138,500 ordinary shares, 6,923,500 ordinary shares, 1,000,000 ordinary shares, 622,500 ordinary shares, 168,000 ordinary shares, 1,793,000 ordinary shares, 2,482,500 ordinary shares, 3,622,000 ordinary shares, 6,390,000 ordinary shares, 9,952,000 ordinary shares, 10,500,000 ordinary shares, 4,000,000 ordinary shares and 19,600,000 ordinary shares of the Company through the Stock Exchange, respectively. There were 103,037,500 ordinary shares repurchased in total. On 11 July 2018, 16 July 2018, 24 July 2018, 17 September 2018 and 24 September 2018, the Company cancelled 103,037,500 ordinary shares repurchased in total.

The share repurchase of the Company was made as the Board was of the view that the Company's share price had deviated from the Company's value. The share repurchase reflects the confidence of the Board and the management team in the long-term strategy and growth of the Company. The Board considers that the share repurchase was in the best interest of the Company and its shareholders as a whole.

During the year 2018, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest	Price per share Lowest	Consideration paid (excluding the commissions and other expenses)
		HK$	*HK$*	*HK$*
25 June 2018	1,660,000	6.90	6.66	11,311,000
26 June 2018	2,690,500	7.11	6.60	18,605,000
27 June 2018	2,054,000	7.15	6.83	14,276,000
28 June 2018	3,968,000	7.30	6.87	27,948,000
29 June 2018	2,988,000	7.40	7.10	21,987,000
3 July 2018	2,330,000	7.50	6.99	17,084,000
4 July 2018	3,705,000	7.45	7.23	27,298,000
5 July 2018	3,570,000	7.40	7.12	26,125,000
6 July 2018	2,496,000	7.60	7.32	18,796,000
9 July 2018	1,920,000	7.72	7.56	14,750,000
10 July 2018	1,594,000	7.84	7.67	12,355,000
11 July 2018	1,870,000	7.75	7.59	14,381,000
12 July 2018	5,138,500	7.70	7.55	39,090,000
13 July 2018	6,923,500	8.00	7.65	54,354,000
31 August 2018	1,000,000	6.65	6.57	6,618,000
3 September 2018	622,500	6.65	6.60	4,133,000
4 September 2018	168,000	6.70	6.65	1,124,000
5 September 2018	1,793,000	6.82	6.79	12,198,000
6 September 2018	2,482,500	6.85	6.80	16,987,000
7 September 2018	3,622,000	6.87	6.83	24,846,000
10 September 2018	6,390,000	6.87	6.75	43,849,000
11 September 2018	9,952,000	6.80	6.74	67,557,000
12 September 2018	10,500,000	6.80	6.72	71,164,000
13 September 2018	4,000,000	6.88	6.79	27,424,000
14 September 2018	19,600,000	6.10	5.75	115,318,000
Total	103,037,500			709,578,000

For details, please refer to the announcements of the Company dated 25 June 2018, 26 June 2018, 27 June 2018, 28 June 2018, 29 June 2018, 3 July 2018, 4 July 2018, 5 July 2018, 6 July 2018, 9 July 2018, 10 July 2018, 11 July 2018, 12 July 2018, 13 July 2018, 31 August 2018, 3 September 2018, 4 September 2018, 5 September 2018, 6 September 2018, 7 September 2018, 10 September 2018, 11 September 2018, 12 September 2018, 13 September 2018 and 14 September 2018, and the next day disclosure returns of the Company dated 11 July 2018, 16 July 2018, 24 July 2018, 17 September 2018 and 24 September 2018.

Save as disclosed above, 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 2018.

SENIOR NOTES

On 27 October 2014, the Company issued 6.875% senior notes due 2018 in the aggregate principal amount of US$300,000,000 (the "Notes Due 2018"). On 3 May 2018, the Company has redeemed the Notes Due 2018 in full at their principal amount together with interest accrued to the maturity date. Please refer to the announcements of the Company dated 27 October 2014, 6 November 2014 and 3 May 2018, respectively, for details.

On 17 April 2018, the Company issued 6.85% senior notes due 2019 in the aggregate principal amount of US$450,000,000. Please refer to the announcements of the Company dated 13 April 2018, 17 April 2018 and 27 April 2018, respectively, for details.

PLACING OF EXISTING SHARES, SUBSCRIPTION OF NEW SHARES PURSUANT TO THE PLACING AND SUBSCRIPTION AGREEMENT

In order to raise further capital and broaden its shareholder and capital base, on 15 January 2018, the Company and Hongqiao Holdings entered into a placing and subscription agreement with UBS AG Hong Kong Branch, CMB International Capital Limited and CLSA Limited (the "Placing Agents"). Pursuant to the placing and subscription agreement, the Placing Agents agreed to place, on a best efforts basis, up to 650,000,000 ordinary shares of the Company held by Hongqiao Holdings (the "Placing Shares") at the placing price of HK$9.6 per Placing Share, where the net placing price, after deduction of placing commission and all other fees and expenses, was approximately HK$9.48 per share, and Hongqiao Holdings agreed to subscribe for up to 650,000,000 new ordinary shares of the Company (the "Subscription Shares") at the subscription price of HK$9.6 per Subscription Share, where the net subscription price, after deduction of fees and expenses, was approximately HK$9.48 per Subscription Share. Trading in ordinary shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 15 January 2018 and resumed with effect from 9:00 a.m. on 16 January 2018.

As at 18 January 2018, an aggregate of 650,000,000 Placing Shares had been successfully placed at the placing price of HK$9.6 per Placing Share to six or more placees, who and whose beneficial owners were independent and not connected with Hongqiao Holdings or any person acting in concert with it (as defined in the Takeovers Code), and were also independent of the Company and its connected persons (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")). None of the placees became a substantial shareholder (as defined in the Listing Rules) immediately after completion of the placing and the subscription.

As at 23 January 2018, an aggregate of 650,000,000 Subscription Shares had been allotted and issued to Hongqiao Holdings at the subscription price of HK$9.6 per Subscription Share. The net proceeds from the subscription were approximately HK$6.2 billion, 70% of which were used for reducing outstanding liabilities and 30% of which were used for replenishment of the Group's general working capital according to the use as described in the announcement of the Company dated 16 January 2018.

For details, please refer to the announcements of the Company dated 16 January 2018 and 23 January 2018.

CORPORATE BONDS OF SHANDONG HONGQIAO

(1) On 12 September 2013, the Company's subsidiary, Shandong Hongqiao, obtained the "Approval for the Issue of 2013 Corporate Bonds by Shandong Hongqiao New Material Co., Ltd. (Fa Gai Cai Jin [2013] No. 1654)" (《關於山東宏橋新型材料有限公司發行2013年公司債券核准的批覆》) from the National Development and Reform Commission of the PRC, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB2,300,000,000 in the PRC.

(i) On 3 March 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (first tranche), with an offering size of RMB1,200,000,000, for a term of 5+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fifth year), carrying an interest of 8.69% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 12 February 2019 to 18 February 2019, the resold amount of the bond holders of that period is RMB50,040,000. After the completion of the sale-back, the remaining amount of the bonds at present is RMB1,149,960,000, and the coupon rate is still 8.69%.

(ii) On 21 August 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (second tranche), with an offering size of RMB1,100,000,000, for a term of 3+2+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third and fifth year), carrying interest of 7.45% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, on 21 August 2017, Shandong Hongqiao repurchased bonds amounting to RMB743,638,000 in total registered during the sale-back period from 1 August 2017 to 7 August 2017 by the bond holders of that period. On the same day, Shandong Hongqiao resold the repurchased bonds above, for a resold amount of RMB700,000,000. The remaining amount at present is RMB1,056,362,000 and the coupon rate is still 7.45%.

(2) On 11 January 2016, the Company's subsidiary, Shandong Hongqiao, obtained the "No-objection Letter to the Listing and Transfer of Corporate Bonds Issued by Shandong Hongqiao New Material Co., Ltd. by Non-public Issuance (Shang Zheng Han [2016] No. 42)" (《關於對山東宏橋新型材料有限公司非公開發行公司債券掛牌轉讓無異議的函》) from the Shanghai Stock Exchange, approving Shandong Hongqiao to issue the corporate bonds by non-public issuance of not more than RMB6,000,000,000 in the PRC.

(i) On 2 June 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (first tranche), with an offering size of RMB3,000,000,000, for a term of 2+1 years (3-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the second year), carrying interest of 6.05% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 7 May 2018 to 11 May 2018, the resold amount of the bond holders of that period is RMB1,242,000,000. After the completion of the sale-back, the remaining amount of the bonds at present is RMB1,758,000,000, and the coupon rate increases to 6.95%.

(ii) On 15 July 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB3,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 6.48% per annum.

(3) On 25 November 2015, the Company's subsidiary, Shandong Hongqiao, obtained the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Hongqiao New Material Co., Ltd. (Zheng Jian Xu Ke [2015]) No. 2732)" (《關於核准山東宏橋新型材料有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Shandong Hongqiao to issue the corporate bonds of not more than RMB6,000,000,000 in the PRC.

(i) On 14 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche) (type 1), with an offering size of RMB2,000,000,000 for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.10% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 30 November 2018 to 4 December 2018, the resold amount of the bond holders of that period is RMB50,000. After the completion of the sale-back, the remaining amount of the bonds at present is RMB1,999,950,000, and the coupon rate increases to 7.30%.

(ii) On 14 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche) (type 2), with an offering size of RMB1,000,000,000, for a term of 5 years, carrying an interest of 4.88% per annum.

(iii) On 27 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB1,800,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.50% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 14 December 2018 to 18 December 2018, the resold amount of the bond holders of that period is RMB0. After the completion of the sale-back, the remaining amount of the bonds at present is RMB1,800,000,000, and the coupon rate increases to 7.00%.

(iv) On 24 February 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (third tranche), with an offering size of RMB1,200,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.04% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 8 January 2019 to 10 January 2019, the resold amount of the bond holders of that period is RMB1,760,000. After the completion of the sale-back, the remaining amount of the bonds at present is RMB1,198,240,000, and the coupon rate increases to 6.70%.

CORPORATE BONDS OF WEIQIAO ALUMINUM & POWER

(1) On 8 October 2015, the Company's subsidiary, Weiqiao Aluminum & Power received the "Approval for the Issue of Corporate Bonds by Shandong Weiqiao Aluminum & Power Co., Ltd. (Fa Gai Cai Jin [2015] No. 2249)" (《關於山東魏橋鋁電有限公司發行公司債券核准的批覆》) from the National Development and Reform Commission of the PRC approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB1,000,000,000 in the PRC.

On 26 October 2015, Weiqiao Alumina & Power completed the issuance of 2015 corporate bonds in the PRC, with an offering size of RMB1,000,000,000, for a term of 4+3 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fourth year), carrying interest of 5.26% per annum.

(2) On 14 January 2016, the Company's subsidiary, Weiqiao Alumina & Power received the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2016]) No. 102)" (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB6,000,000,000 in the PRC.

(i) On 10 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (first tranche) (type 1), with an offering size of RMB3,500,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.27% per annum; pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 21 January 2019 to 25 January 2019, the resold amount of the bond holders of that period is RMB0. After the completion of the sale-back, the remaining amount of the bonds at present is RMB3,500,000,000, and the coupon rate increases to 6.50%.

(ii) On 10 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (first tranche) (type 2), with an offering size of RMB500,000,000, for a term of 5 years, carrying an interest of 4.83% per annum.

(iii) On 22 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB2,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.20% per annum. Pursuant to the terms entitling the investor to sell back the bonds as set out in the bond prospectus of that period, during the sale-back period from 1 February 2019 to 14 February 2019, the resold amount of the bond holders of that period is RMB0. After the completion of the sale-back, the remaining amount of the bonds at present is RMB2,000,000,000, and the coupon rate increases to 6.30%.

(3) On 17 August 2016, the Company's subsidiary, Weiqiao Alumina & Power received the "Approval for the Public Issuance of Corporate Bonds to Eligible Investors by Shandong Weiqiao Aluminum & Power Co., Ltd. (Zheng Jian Xu Ke [2016]) No. 1872)" (《關於核准山東魏橋鋁電有限公司向合格投資者公開發行公司債券的批覆》) from the China Securities Regulatory Commission, approving Weiqiao Alumina & Power to issue the corporate bonds of no more than RMB7,800,000,000 in the PRC.

On 17 October 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (third tranche), with an offering size of RMB7,800,000,000, for a term of 5+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the fifth year), carrying interest of 4.00% per annum.

ADJUSTMENT OF THE PRINCIPAL AMOUNT AND THE CONVERSION PRICE OF 5.0% CONVERTIBLE BONDS DUE 2022

On 28 November 2017, the Company successfully issued the CBs of the Company with an initial principal amount of US$320,000,000 to CNCB (Hong Kong) Investment Limited under the CBs specific mandate with an initial conversion price (subject to adjustment) of HK$8.16. The net proceeds of the CBs placing were approximately US$316,800,000 which the Company has fully ultilised for the uses as described in the announcement of the Company dated 15 August 2017. Please refer to the announcement of the Company dated 15 August 2017, the circular dated 2 November 2017, the poll results announcement dated 20 November 2017 and the announcement dated 28 November 2017, respectively, for details.

On 25 January 2018, CNCB (Hong Kong) Investment Limited converted the CBs for 23% of the initial principal amount held by it into 70,544,156 shares of the Company at the initial conversion price of HK$8.16 per share. Please refer to the announcement of the Company dated 15 August 2017 and the next day disclosure return dated 25 January 2018, respectively, for details.

Pursuant to the terms and conditions of the CBs, as the Company declared the payment of the final dividend for the year of 2016 and a special dividend, the conversion price per share was adjusted from HK$8.16 to HK$7.71 effective from 7 February 2018. Please refer to the announcement of the Company dated 7 February 2018 for details.

Pursuant to the terms and conditions of the CBs, as the Company declared the payment of the final dividend for the year of 2017, the conversion price per share was adjusted from HK$7.71 to HK$7.53 effective from 12 June 2018. Please refer to the announcement of the Company dated 13 July 2018 for details.

CHARITABLE DONATIONS

Weiqiao Aluminum & Power, a wholly-owned subsidiary of the Company, donated RMB2,060,000 to Beijing Rainbow Charity Foundation (北京彩虹公益基金會) on 21 June 2018.

Shandong Hongqiao, a wholly-owned subsidiary of the Company, donated RMB500,000 to China Social Welfare Foundation (中國社會福利基金會) on 29 October 2018.

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2018 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 December 2018 are set out in note 55 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, sales to the Group's five largest customers accounted for 59.4% of the Group's total sales for the year ended 31 December 2018, and sales to its largest customer accounted for 39.9% of the Group's total sales for the year ended 31 December 2018.

During the year ended 31 December 2018, purchases from the Group's five largest suppliers accounted for 38.0% of the Group's total purchases for the year ended 31 December 2018, and purchases from the Group's largest supplier accounted for 14.4% of the Group's total purchases for the year ended 31 December 2018.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules, and the Board considers each of the independent non-executive Directors to be independent.

EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES

The Directors' fees are subject to shareholders' approval at annual general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance. None of the Directors has waived or agreed to waive any emoluments during the Year. Details in relation to the emoluments of the Directors, chief executive and five highest paid employees for the year ended 31 December 2018 are included in notes 13 and 14 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of three years with effect from their respective dates 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 to be re-elected at the 2018 Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Directors of the Company as at 31 December 2018 and up to 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, Authorised Representative)*
Ms. ZHANG Ruilian *(Vice President, Chief Financial Officer)*

Non-Executive Directors:

Mr. YANG Congsen
Mr. ZHANG Jinglei
Mr. CHEN Yisong *(Mr. ZHANG Hao as his alternate)*

Independent Non-Executive Directors:

Mr. XING Jian
Mr. HAN Benwen
Mr. DONG Xinyi

DIRECTORS AND SENIOR MANAGEMENT

The biographies of each of the Directors and senior management are set out on page 18 to page 22 in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 51 to the consolidated financial statements and the section headed "Connected Transactions" herein, none of the Directors or entities connected with the Directors is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract of the Company or any of its subsidiaries which was of significance to the business of the Group and subsisted during the year ended 31 December 2018 or at the end of such year.

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

As at 31 December 2018, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

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	6,076,513,573 (L)	70.04
Ms. ZHENG Shuliang (2)	Interest of spouse	6,076,513,573 (L)	70.04
Shiping Prosperity Private Trust Company (3)	Trustee	6,076,513,573 (L)	70.04
Hongqiao Holdings (3)	Beneficial owner	6,076,513,573 (L)	70.04
CTICM (4)	Beneficial owner	806,640,670 (L)	9.30
CNCB (Hong Kong) Investment Limited (4)	Beneficial owner	70,544,156 (L)	0.81
CITIC Limited (4)	Interest of a controlled corporation	877,184,826 (L)	10.11
CITIC Group Corporation (4)	Interest of a controlled corporation	877,184,826 (L)	10.11

(L) denotes long position

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) Shiping Prosperity Private Trust Company, as the trustee, holds such interests in shares on behalf of Mr. Zhang Shiping.

(4) CITIC Group Corporation held 100% interest in CITIC Polaris Limited, which held 32.53% interest in CITIC Limited, and CITIC Group Corporation also held 100% interest in CITIC Glory Limited, which held 25.60% interest in CITIC Limited, thus CITIC Group Corporation indirectly held 58.13% interest in CITIC Limited. CITIC Limited held 100% interest in CITIC Corporation Limited. CITIC Corporation Limited held 80% interest in CITIC Trust and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 20% interest in CITIC Trust. Thus, CITIC Corporation Limited directly and indirectly held 100% interest in CITIC Trust. CITIC Trust held 100% interest in CTICM, and thus CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares held by CTICM under the SFO.

    CITIC Limited held 65.97% interest in total in China CITIC Bank Corporation Limited, which held 99.05% interest in CNCB (Hong Kong) Investment Limited and 100% interest in CITIC International Financial Holdings Limited, which held 75% interest in China CITIC Bank International Limited, which in turn held 0.95% in CNCB (Hong Kong) Investment Limited, thus China CITIC Bank Corporation Limited directly and indirectly held 99.7625% interest in CNCB (Hong Kong) Investment Limited. Thus, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares held by CNCB (Hong Kong) Investment Limited under the SFO.

Save as disclosed above, as at 31 December 2018, 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 which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

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

As at 31 December 2018, the Directors and chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules, were as follows:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping (1)	Interest of a controlled corporation	6,076,513,573 (L)	70.04
Ms. ZHENG Shuliang (2)	Interest of spouse	6,076,513,573 (L)	70.04
Mr. ZHANG Bo (3)	Beneficial owner	8,870,000 (L)	0.10

(L) denotes long position

Notes:

(1) The interests of Mr. Zhang Shiping in the Company were held through his wholly-owned investment company Hongqiao Holdings.

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

(3) Mr. Zhang Bo is the son of Mr. Zhang Shiping and Ms. Zheng Shuliang.

Save as disclosed above, as at 31 December 2018, none of the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 had any interests or short positions 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 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. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or subsisted during the year ended 31 December 2018.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 51 to the consolidated financial statements and the section headed “Connected Transactions” herein, no contract of significance was entered into between the Company or any of its subsidiaries and its controlling shareholder or any of its subsidiaries or for the provision of services to the Company or any of its subsidiaries by its controlling shareholder or any of its subsidiaries during the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

According to the Articles of Association, the Directors, secretary and other officers and every auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company, and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

The Company has purchased and maintained directors' and senior management liability insurance for the year ended 31 December 2018, which provides appropriate protection over certain legal actions brought against its directors and senior management.

CONNECTED TRANSACTIONS

The following related party transactions disclosed in note 51 to the consolidated financial statements constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules. During the Year, save as disclosed in this paragraph, no other related party transactions set out in note 51 to the consolidated financial statements constitute non-exempt connected transactions or continuing connected transactions under the Listing Rules.

1. **Supply of water to the Group for production use by Jinsha Water Supply**

   Binzhou City Zhanhua District Huihong Aluminum Profiles Co., Ltd. ("Zhanhua Huihong"), the Company's indirectly wholly-owned subsidiary, and Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply"), a connected person of the Company, entered into the production water supply agreement (the "Old Production Water Supply Agreement") on 29 June 2015 pursuant to which Jinsha Water Supply agreed to supply water to Zhanhua Huihong (including its related party(ies)) for production use, for a term from 1 July 2015 to 31 December 2017, both days inclusive. Pursuant to the renewed mechanism of such agreement, Zhanhua Huihong and Jinsha Water Supply entered into a production water supply agreement (the "Production Water Supply Agreement") on 20 November 2017, for a term from 1 January 2018 to 31 December 2020, both days inclusive. The terms and conditions under the Production Water Supply Agreement are basically the same as those under the Old Production Water Supply Agreement.

   The price of the water supplied by Jinsha Water Supply to Zhanhua Huihong is approximately RMB1.748 per ton (excluding the value-added tax) or RMB1.8 per ton (including 3% value-added tax). Jinsha Water Supply is entitled to charge an additional channel fee of no more than RMB0.15 per ton (including 3% value-added tax) based on the water supply distance. The prices were determined with reference to the prices charged by Jinsha Water Supply to other independent third parties for the supply of water on normal commercial terms in its ordinary and usual course of business. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Production Water Supply Agreement.

   During the Year, the purchase of water for production use under the Production Water Supply Agreement by Zhanhua Huihong (including its related party(ies)) from Jinsha Water Supply amounted to approximately RMB14,269,000, which was below the annual cap of approximately RMB162,234,000 for the year 2018.

Jinsha Water Supply was held as to 42.00% by Chuangye Group, which in turn was held as to 31.59% by Mr. Zhang Shiping, an executive Director and the controlling shareholder of the Company. Therefore, Jinsha Water Supply was a connected person of the Company. The details of the above continuing connected transaction were disclosed in the announcements of the Company dated 29 June 2015 and 20 November 2017.

2. **Supply of steam to Binzhou Industrial Park for production use by Binzhou City Hongnuo**

Binzhou City Hongnuo New Material Co., Ltd. ("Binzhou City Hongnuo"), an indirectly wholly-owned subsidiary of the Company, and Binzhou Industrial Park, a connected person of the Company, entered into the steam supply agreement (the "Old Steam Supply Agreement") on 3 July 2015, pursuant to which Binzhou City Hongnuo agreed to supply steam to Binzhou Industrial Park for its production use, for a term from 3 July 2015 to 31 December 2017, both days inclusive. Pursuant to the renewed mechanism of such agreement, Binzhou City Hongnuo and Binzhou Industrial Park entered into the steam supply agreement (the "Steam Supply Agreement") on 20 October 2017 for a period from 1 January 2018 to 31 December 2019, both days inclusive. The terms and conditions under the Steam Supply Agreement are basically the same as those under the Old Steam Supply Agreement.

The price of the steam supplied by Binzhou City Hongnuo to Binzhou Industrial Park is RMB170 per ton (including 11% value-added tax) and is determined with reference to the price at which comparable types of steam used for production are supplied by Binzhou City Hongnuo to other independent third parties on normal commercial terms in its ordinary and usual course of business in Binzhou, Shandong Province, the PRC. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Steam Supply Agreement.

During the Year, the sales of steam under the Steam Supply Agreement by Binzhou City Hongnuo to Binzhou Industrial Park amounted to approximately RMB22,794,000, which was below the annual cap of approximately RMB35,490,000 for the year 2018.

Binzhou Industrial Park was a non-wholly-owned subsidiary of Weiqiao Textile, which in turn was held as to 63.67% by Chuangye Group, which in turn was held as to 31.59% by Mr. Zhang Shiping, an executive Director and the controlling shareholder of the Company. Therefore, Binzhou Industrial Park was a connected person of the Company. The details of the above continuing connected transaction were disclosed in the announcements of the Company dated 3 July 2015 and 20 October 2017.

3. **Supply of steam to Ming Hong Textile for production use by Hongli Thermal Power**

Zouping County Hongli Thermal Power Co., Ltd.("Hongli Thermal Power"), an indirectly wholly-owned subsidiary of the Company, and Shandong Ming Hong Textile Technology Co., Ltd.("Ming Hong Textile"), a connected person of the Company, entered into the steam supply agreement on 20 October 2017, pursuant to which Hongli Thermal Power agreed to supply steam to Ming Hong Texile for its production use for the period from 20 October 2017 to 31 December 2019, both days inclusive.

The price of the steam supplied by Hongli Thermal Power to Ming Hong Textile is RMB150 per ton (including 11% value-added tax) and is determined by reference to the market prices of the comparable types of the steam used for production supplied by other suppliers to any independent third parties in Weiqiao Town, Binzhou City, Shandong Province, the PRC. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the steam supply agreement.

During the Year, the sales of steam under the steam supply agreement by Hongli Thermal Power to Ming Hong Textile amounted to approximately RMB4,682,000, which was below the annual cap of approximately RMB8,580,000 for the year 2018.

Ming Hong Textile was a wholly-owned subsidiary of Weiqiao Textile, which in turn was held as to 63.67% by Chuangye Group, which in turn was held by Mr. Zhang Shiping, an executive Director and the controlling shareholder of the Company, as to 31.59%. Therefore, Ming Hong Textile was a connected person of the Company. The details of the above continuing connected transaction were disclosed in the announcement of the Company dated 20 October 2017.

4. Sale of Aluminum Products to Caseman by the Company

The Company and Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman"), a connected person of the Company, entered into the aluminum products sales framework agreement (the "Aluminum Products Sales Framework Agreement") on 24 July 2018, for a term from 24 July 2018 to 31 December 2020, pursuant to which, the Group agreed to sell aluminum products to Caseman for its production use.

The prices of aluminum products supplied by the Group to Caseman are determined with reference to the prices at which comparable types of aluminum products are supplied by the Group to other independent third parties under normal commercial terms in its ordinary and usual course of business in the PRC, which are the average of the weekly average prices of the four aluminum quotations from Henan Province, Shandong Province, East China and the Company listed on the Antaike aluminum regional quotations on the website of Beijing Antaike Information Development Co., Ltd. (北京安泰科信息開發有限公司) (www.atk.com.cn). If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Aluminum Products Sales Framework Agreement.

During the Year, the sales of aluminum products under the Aluminum Products Sales Framework Agreement by the Group to Caseman amounted to approximately RMB1,848,553,000, which was below the annual cap of approximately RMB2,934,557,000 for the period from 24 July 2018 to 31 December 2018.

CTICM and its related company, CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司) held more than 10% of the issued shares of the Company in November 2017 due to their subscription for the new issued shares and convertible bonds of the Company, and therefore, became connected persons of the Group. In February 2018, due to further issuance of shares by the Company, their shareholding was diluted to less than 10%, and they were no longer connected persons of the Group. In July 2018, as the Company carried out a series of activities for repurchasing its issued shares, the shareholding of CTICM and CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司) increased to more than 10%. Therefore, they became connected persons of the Group again.

CTICM and its related company CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), currently holding 877,184,826 shares of the Company, representing 10.11% of the total issued shares of the Company as at 31 December 2018, were both indirect subsidiaries of CITIC Group Corporation (中國中信集團有限公司) and therefore CITIC Group Corporation (中國中信集團有限公司) was a connected person of the Company. Caseman was also an indirect subsidiary of CITIC Group Corporation. Therefore, Caseman was a connected person of the Company. Details of the above continuing connected transaction were disclosed in the announcement of the Company dated 24 July 2018.

5. **Provision of investment and wealth management services to the Company by CITIC Trust**

The Company and CITIC Trust, a connected person of the Company, entered into the investment and wealth management cooperation framework agreement (the "Investment and Wealth Management Cooperation Framework Agreement") on 3 December 2018 for a term commencing on 3 December 2018 and ending on 31 December 2020, pursuant to which, CITIC Trust (including its subsidiaries) will provide investment products, including but not limited to trust products, monetary funds and asset management plans, and entrusted investment services to the Company (including its subsidiaries) and the two parties may initiate other investment cooperation.

The pricing of the investment products and entrusted investment services shall be jointly determined by the Company and CITIC Trust through negotiation with reference to the prevailing market terms of similar investment products or entrusted investment services offered by other independent financial institutions in the PRC at the time of entering into the specific agreements under the Investment and Wealth Management Cooperation Framework Agreement. The terms and conditions of the investment products and entrusted investment services offered by CITIC Trust to the Company shall be no less favourable than the terms and conditions offered by CITIC Trust to other independent third parties for providing similar investment products or entrusted investment services.

During the Year, as CITIC Trust did not provide any investment and wealth management services to the Company, the transaction value under the Investment and Wealth Management Cooperation Framework Agreement in 2018 was nil.

CTICM and its related company CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), currently holding 877,184,826 shares of the Company, representing 10.11% of the total issued shares of the Company as at 31 December 2018, were both indirect subsidiaries of CITIC Group Corporation (中國中信集團有限公司) and therefore CITIC Group Corporation (中國中信集團有限公司) was a connected person of the Company. CITIC Trust was also an indirect subsidiary of CITIC Group Corporation (中國中信集團有限公司). Therefore, CITIC Trust was a connected person of the Company. The details of the above continuing connected transactions were disclosed in the announcement of the Company dated 3 December 2018 and the circular of the Company dated 21 December 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITOR'S CONFIRMATION

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

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

(ii) on normal commercial terms; and

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

The auditor of the Company has provided a letter to the Board confirming that, for the year ended 31 December 2018, nothing has come to their attention that causes them to believe that the above continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group (for those transactions involving the provision of goods or services by the Group);

(iii) were not, in all material respects, in accordance with the agreements governing such transactions; and

(iv) have exceeded the respective annual caps.

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in note 52 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 2018 and up to the date of this annual report.

COMPLIANCE WITH PROVISIONS OF THE CG CODE

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2018, the Company has complied 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 to the best knowledge of the directors of the Company, the Company has maintained the public float as approved by the Stock Exchange and as permitted under the Listing Rules during the Year and up to the date of this annual report.

DEED OF NON-COMPETITION

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

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") in compliance with the CG Code 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. The Audit Committee meeting was held on 22 March 2019 to review the consolidated financial statements of the Group for the year ended 31 December 2018. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2018 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

BUSINESS REVIEW

Business review of the Group during the Year is set out in Management Discussion and Analysis pages 9 to 11 of the annual report.

INTERNATIONAL AUDITORS

SHINEWING (HK) CPA Limited ("ShineWing HK") was the Company's international auditors for the year ended 31 December 2018. A resolution for the re-appointment of ShineWing HK as the international auditors of the Company will be proposed at the 2018 Annual General Meeting.

On 27 April 2017, the Company received a resignation letter from Ernst & Young, pursuant to which Ernst & Young resigned as the auditor of the Group with effect from 27 April 2017. On 12 July 2017, according to the relevant requirements of the Articles of Association, the Board decided to appoint ShineWing HK as the new auditor of the Company, to fill the vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the 2016 annual general meeting of the Company. At the 2016 annual general meeting of the Company held on 31 August 2017, ShineWing HK was re-appointed as the auditor of the Company. For further details in relation to the change of auditors, please refer to the announcements of the Company dated 12 July 2017 and 31 August 2017.

On behalf of the Board
Mr. Zhang Shiping
Chairman
Shandong, the People's Republic of China

22 March 2019

Corporate Governance Report

CORPORATE GOVERNANCE

China Hongqiao is convinced that good corporate governance can create values for the Company and its shareholders as a whole. 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 2018, 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 2018 and up to the date of issuance of this annual report.

THE BOARD

As at 31 December 2018 and up to the date of this annual report, the Board comprised four executive Directors, three 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)*
Ms. ZHANG Ruilian *(Vice President, Chief Financial Officer)*

Non-executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei
Mr. CHEN Yisong *(Mr. ZHANG Hao as his alternate)*

Independent Non-executive Directors

Mr. XING Jian
Mr. HAN Benwen
Mr. DONG Xinyi

Mr. Zhang Shiping is the husband of Ms. Zheng Shuliang, father of Mr. Zhang Bo and father-in-law of Mr. Yang Congsen.

Deities of the Board

The Board is responsible for leading, controlling and overseeing 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.

The Board is also responsible for the corporate governance duties contained in provision D.3.1 of the CG Code, including but not limited to:

(i) to develop and review the Company's policies and practices on corporate governance;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Board has performed the above duties for the year ended 31 December 2018. The Board has reviewed the Company's compliance with the CG Code and the corporate governance report herein for the year ended 31 December 2018.

Delegation of management function of the Board

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

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

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

Responsibilities of the Management

The chief executive officer of the Company shall be accountable to the Board and responsible for managing the production and business operations of the Company and organising the implementation of resolutions of the Board; organising the implementation of the Company's annual business plans and investment plans; drafting the plan for the internal management setup of the Company; drafting the basic management system of the Company; formulating basic rules of the Company; proposing appointment or dismissal of the vice presidents and chief financial officer of the Company; appointing or dismissing executives other than those to be appointed or dismissed by the Board; and exercising other functions and powers conferred in the Articles of Association and by the Board.

The company secretary of the Company shall be accountable to the Board and responsible for ensuring the compliance of the Board with all applicable laws and regulations. The company secretary shall also keep minutes of general meetings and meetings of the Board and its committees.

Appointment and re-election of Directors

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

Each of the Directors has entered into a service contract with the Company for a period of three years. Unless terminated by not less than one month's notice in writing served by either the Directors or the Company, the contract will be automatically renewed until terminated in accordance with the terms of the service contract. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association. At the annual general meeting of 2017 held by the Company on 16 May 2018, Ms. Zheng Shuliang, Ms. Zhang Ruilian, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Xing Jian, Mr. Han Benwen and Mr. Dong Xinyi were re-elected as Directors of the Company. Mr. Chen Yisong was appointed as a non-executive Director of the Company on 31 August 2018. Mr. Zhang Hao was been appointed as the alternate Director of Mr. Chen Yisong on 31 August 2018.

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first shareholders' general meeting after his appointment and be eligible for re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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 roles 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 1 January 2018 to 31 December 2018, 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, Ms. Zhang Ruilian, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Chen Yisong (Mr. Zhang Hao as his alternate), Mr. Xing Jian, Mr. Han Benwen, Mr. Dong Xinyi 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 the year 2018, the Board had conducted the evaluation of its performance.

Number of meetings and Directors' attendance

CG Code provision A.1.1 prescribes that at least four 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 four times a year at approximately quarterly intervals.

During the year ended 31 December 2018, eleven Board meetings were held by the Directors either in person or through other electronic means of communication and the attendance records of individual Directors at the Board meetings and general meetings are set out below:

Name of Directors	Number of Board Meetings Attended/Held	Number of General Meetings Attended/Held
Executive Directors:		
Mr. ZHANG Shiping	11/11	2/2
Ms. ZHENG Shuliang	11/11	2/2
Mr. ZHANG Bo	11/11	2/2
Ms. ZHANG Ruilian	11/11	2/2
Non-Executive Directors:		
Mr. YANG Congsen	11/11	2/2
Mr. ZHANG Jinglei	11/11	2/2
Mr. CHEN Yisong (Mr. ZHANG Hao as his alternate)(1)	4/11	0/2
Independent Non-Executive Directors:		
Mr. XING Jian	9/11	2/2
Mr. HAN Benwen	10/11	2/2
Mr. DONG Xinyi	10/11	2/2
Mr. CHEN Yinghai(2)	5/11	0/2

Note(1) As Mr. CHEN Yisong resigned as a non-executive Director on 2 February 2018 and was appointed as a non-executive Director on 31 August 2018, he attended 0 general meetings.

Note(2) As Mr. CHEN Yinghai retired as a non-executive Director on 16 May 2018, he attended 0 general meetings.

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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.

TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors of the Company has entered into a service contract with the Company for a term of three years with effect from their respective dates 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Further details of the remuneration of each of the Directors, chief executive and five highest paid employees for the year ended 31 December 2018 are set out in notes 13 and 14 to the consolidated financial statements.

Remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2018 is set out below:

Remuneration bands	Number of individuals
HK$100,000 to HK$150,000 (approximately RMB88,000 to RMB131,000)	1

SUBORDINATE COMMITTEES OF THE BOARD

- Audit Committee
- Remuneration committee (the "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. DONG Xinyi

Roles and functions

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

The Company's annual results for the year ended 31 December 2018 have been reviewed by the Audit Committee.

The work of the Audit Committee for the year ended 31 December 2018 primarily included reviewing the Group's annual report for the year ended 31 December 2017 and interim report for the six months ended 30 June 2018, and reviewing the effectiveness of the risk management and internal control system of the Company.

During the year ended 31 December 2018, the Audit Committee held two meetings, and the attendance record of members of the Audit Committee at the Audit Committee meetings are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	2/2
Mr. XING Jian	2/2
Mr. DONG Xinyi	2/2
Mr. CHEN Yinghai(1)	1/2

Note(1) As Mr. CHEN Yinghai retired as a member of the Audit Committee on 16 May 2018, he only attended 1 meeting.

B. REMUNERATION COMMITTEE

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

The composition of the Remuneration Committee

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

Roles and functions

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors on the Group's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of the Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

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.

The work of the Remuneration Committee for the year ended 31 December 2018 primarily included evaluating the performance of the executive Directors and reviewing and approving remuneration of the Directors for the year ended 31 December 2018.

During the year ended 31 December 2018, the Remuneration Committee held one meeting to fulfill the duties as required aforesaid and the attendance record of members of the Remuneration Committee at the Remuneration Committee meetings are set out below:

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

Note (1) Mr. DONG Xinyi ceased to be a member of the Remuneration Committee on 16 May 2018.

C. NOMINATION COMMITTEE

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

The composition of the Nomination Committee

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

Roles and functions

The primary duties of the Nomination Committee include: (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) to assess the independence of independent non-executive Directors; and (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive officer of the Company.

The work of the Nomination Committee for the year ended 31 December 2018 primarily included reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, and nominating Directors according to the Company's nomination policy.

During the year ended 31 December 2018, the Nomination Committee held two meetings, and the attendance record of members of the Nomination Committee at the Nomination Committee meetings are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. XING Jian	2/2
Mr. ZHANG Shiping	2/2
Mr. HAN Benwen	2/2
Mr. DONG Xinyi [(1)]	1/2

Note (1) Mr. DONG Xinyi ceased to be a member of the Nomination Committee on 16 May 2018.

The Company has adopted board diversity policy according to provision A.5.6 of the CG Code. The Nomination Committee reviews the structure, size and diversity of the composition of the Board regularly to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the gender, age, cultural and educational background, skills, experience, professional knowledge, personal integrity and time commitments and independence of the independent non-executive Director, the Company's needs and other relevant statutory requirements and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's performance in annual and interim reports and other financial disclosures required by the Listing Rules.

The senior management of the Company has provided sufficient explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial and other information of the Company put before it for approval.

The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR

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

The remuneration paid to the external auditor of the Company in respect of audit services for the year ended 31 December 2018 amounted to RMB4,200,000 (inclusive of value-added tax).

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the effectiveness of the risk management and internal control system, and make annual reviews on the effectiveness of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has established its internal audit functions. Relevant procedures have been designed for safeguarding assets against unauthorised use or disposal, controlling excessive capital expenditure, maintaining proper accounting records, and the reliability of financial information used in the operations or for publication. The Audit Committee is responsible for the internal audit. Qualified management personnel of the Company will maintain and monitor the internal control system on a going concern basis.

The Group has in place a relatively comprehensive risk management and internal control system and clearly defines the responsibility and authority of each business unit, department and management member. It implements the reporting and approval procedures and accountability system of each business segment to realise compliance in operations and monitor and control each segment effectively. Each business unit identifies risks that may hinder the realisation of business objectives and coordinates with the management members to analyse and evaluate the materiality of such risks. The finance department is responsible for monitoring and controlling financial risks and making recommendations on potential risks identified during the approval procedures. Other management departments identify and make judgment on various circumstances as well as monitor and assess potential risk factors within the scope of their responsibility and authority. If necessary, they can consult professionals at any time and report issues to the Board according to internal management procedures. Before making any material decisions, the Board has to make proper assessment on the potential risks involved and the level of risks.

The Board and its Audit Committee hear reporting of the management with regard to risk management and internal control on a yearly basis; they also work together to review the effectiveness of the relevant systems and identify any monitoring and control errors and material procedural defects. If any material defects in internal control are found, the management and the Board have to make active responses and resolve the problems arose in the most appropriate way and, at the same time, review the existing systems and procedures to seek improvement and take remedial measures.

The Company understands its responsibilities under Part XIVA of the SFO and the Listing Rules, and has set up procedures and internal control measures for processing and disclosing inside information. It will make public disclosure on inside information as soon as reasonably practicable and strictly comply with the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission when handling matters involving inside information, strictly prohibiting unauthorised use of confidential or insider information.

The Directors bear the duty to continue to pay attention to the production and operation conditions and financial position of the Company as well as existing and potential material issues and their impacts; they shall actively investigate and obtain information required for decision making. After finding out and learning about matters required to be disclosed, the relevant personnel shall make timely reports to the management and the responsible Directors, judge and verify the relevant information and materials, make internal assessment on the matters involved and preliminary suggestions and seek professional advice if necessary. After carrying out relevant internal procedures, the Company will confirm the information disclosure arrangement and ensure the truthfulness, accuracy, completeness, timeliness and fairness of the disclosed information and ensure that such information is free of false representation, materially misleading statement or omission.

The Board has reviewed the risk management and internal control system of the Group for the year ended 31 December 2018, which covers financial, operational, compliance procedural and risk management functions, and considers them efficient and adequate. Upon review, the Board was also of the view that there were adequate resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

AMENDMENTS TO ARTICLES OF ASSOCIATION

There was no material change made to the Articles of Association by the Company for the year ended 31 December 2018.

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 2018, 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.

According to the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be convened by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of such failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

Independent Auditor's Report

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CHINA HONGQIAO GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 61 to 192, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Transactions with related parties and disclosure;
- Estimated allowance on inventories; and
- Impairment of goodwill.

KEY AUDIT MATTERS (Continued)

TRANSACTIONS WITH RELATED PARTIES AND DISCLOSURE

Refer to note 51 to the consolidated financial statements.

The key audit matter

The Group had significant amount of transactions with related parties in both trade and non-trade nature.

We have identified this as a key audit matter because it is essential to monitor these transactions closely. It is also essential to disclose all these transactions properly in accordance with the requirements of relevant accounting standards and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

How the matter was addressed in our audit

Our procedures were designed to verify and identify material related party relationship through enquiry and searches.

We have also scrutinised the accounting ledgers and bank ledgers to ensure material transactions with related parties are properly reflected in the Group's accounting records.

We have also carried out various analysis and market comparisons to assess the reasonableness of these transactions.

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 25 to the consolidated financial statements.

The key audit matter

As at 31 December 2018, the carrying amount of the inventories was approximately RMB19,805,561,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value.

We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.

How the matter was addressed in our audit

Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2018.

We have reviewed the utilisation of inventories and sales contracts awarded and entered into between the Group and the customers. We have also reviewed the subsequent selling prices of the inventories as at 31 December 2018 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

KEY AUDIT MATTERS (Continued)

IMPAIRMENT OF GOODWILL

Refer to note 22 to the consolidated financial statements.

The key audit matter

As at 31 December 2018, the carrying amount of goodwill amounted to approximately RMB608,818,000. An impairment loss on goodwill of approximately RMB656,945,000 was recognised for the year ended 31 December 2018.

Management's assessment on impairment of goodwill is a judgemental process which requires estimates concerning the forecast future cash flows associated with the relevant cash-generating units, the discount rates and the growth rate of revenue and costs to be applied in determining the value-in-use and fair value less costs of disposal. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact.

The extent of judgment and the size of the goodwill resulted in this matter being identified as a key audit matter.

How the matter was addressed in our audit

In order to address this matter in our audit, we obtained management's impairment assessment and valuation report prepared by their valuation specialist and challenged the reasonableness of the selection of valuation models, adoption of key assumptions and input data and changes in adoption of key assumptions and input data. In particular, we reviewed the future cash flow forecast prepared by management on whether it is agreed to the budget approved by the board of directors of the Company and compared the budget with actual results available up to the report date. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations.

We also challenged the discount rates employed in the calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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.Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044

22 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
Revenue	6	**90,194,924**	97,941,916
Cost of sales		**(74,794,362)**	(81,561,674)
Gross profit		**15,400,562**	16,380,242
Other income and gains	8	**2,135,396**	2,497,598
Selling and distribution expenses		**(371,206)**	(270,215)
Administrative expenses		**(3,867,211)**	(2,083,209)
Other expenses	9	**(706,916)**	(5,678,876)
Finance costs	10	**(4,433,389)**	(4,080,942)
Changes in fair value of derivatives	31	**397,683**	(19,897)
Share of profits of associates	21	**429,545**	371,989
Loss on disposal of a subsidiary	47	**(648,772)**	–
Profit before taxation		**8,335,692**	7,116,690
Income tax expenses	11	**(2,549,440)**	(1,788,953)
Profit for the year	12	**5,786,252**	5,327,737
Attributable to:			
Owners of the Company		**5,407,422**	5,130,064
Non-controlling interests		**378,830**	197,673
		5,786,252	5,327,737
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**147,321**	(102,409)
Share of other comprehensive income (expense) of associates		**75,295**	(38,910)
		222,616	(141,319)
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on equity instruments at fair value changes through other comprehensive income		**(67,936)**	–
Total comprehensive income for the year, net of income tax		**5,940,932**	5,186,418
Total comprehensive income for the year attributable to			
Owners of the Company		**5,504,647**	5,044,115
Non-controlling interests		**436,285**	142,303
		5,940,932	5,186,418
Earnings per share	16		
Basic (RMB)		**0.6218**	0.6986
Diluted (RMB)		**0.5936**	0.6952

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	17	**76,361,390**	84,043,112	86,658,504
Intangible assets	18	**22,673**	13,972	–
Prepaid lease payments	19	**4,915,054**	3,806,787	3,066,503
Investment properties	20	**143,606**	150,931	–
Deposits paid for acquisition of property, plant and equipment		**206,324**	421,144	1,745,089
Deposits paid for acquisition of land		**–**	14,968	443,390
Deferred tax assets	40	**1,865,927**	1,784,856	557,322
Interests in associates	21	**1,895,401**	1,325,328	944,796
Goodwill	22	**608,818**	1,265,763	311,769
Other financial assets		**–**	–	14,631
Financial assets at fair value through other comprehensive income	23	**908,170**	–	–
Available-for-sale investments	24	**–**	6,000	–
		86,927,363	92,832,861	93,742,004
CURRENT ASSETS				
Prepaid lease payments	19	**132,414**	85,902	56,152
Inventories	25	**19,805,561**	15,585,329	17,143,324
Trade receivables	26	**6,750,578**	2,211,734	363,314
Bills receivables	27	**11,726,626**	11,912,479	9,721,942
Prepayments, loan and other receivables	28	**4,747,463**	12,846,097	8,243,113
Other financial assets	29	**–**	57	13,047
Restricted bank deposits	30	**1,256,474**	1,262,589	396,808
Cash and cash equivalents	30	**45,380,413**	21,947,939	13,141,647
		89,799,529	65,852,126	49,079,347
CURRENT LIABILITIES				
Trade and bills payables	32	**16,661,437**	16,060,100	7,506,386
Other payables and accruals	33	**11,840,680**	16,347,810	12,378,364
Bank borrowings – due within one year	34	**18,933,735**	9,529,148	14,310,943
Other financial liabilities		**–**	–	1,691
Income tax payable		**1,460,994**	1,163,430	724,632
Short-term debentures and notes	36	**4,000,000**	3,000,000	11,000,000
Medium-term debentures and bonds – due within one year	37	**1,752,756**	7,196,185	731,664
Guaranteed notes	38	**3,078,664**	1,957,399	2,768,436
Deferred income	41	**19,450**	16,571	31,106
		57,747,716	55,270,643	49,453,222
NET CURRENT ASSETS (LIABILITIES)		**32,051,813**	10,581,483	(373,875)
TOTAL ASSETS LESS CURRENT LIABILITIES		**118,979,176**	103,414,344	93,368,129

	Notes	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000 (Restated)	As at 1 January 2017 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Bank borrowings – due after one year	34	**11,263,803**	10,525,603	4,696,770
Other borrowing – due after one year	35	**1,366,569**	–	–
Liability component of convertible bonds	39	**1,012,052**	1,095,225	–
Derivatives component of convertible bonds	39	**415,195**	991,660	–
Deferred tax liabilities	40	**670,982**	505,397	578,097
Medium-term debentures and bonds – due after one year	37	**41,077,258**	36,271,871	39,720,060
Guaranteed notes	38	**–**	–	2,070,436
Deferred income	41	**553,820**	287,021	114,668
		56,359,679	49,676,777	47,180,031
NET ASSETS		**62,619,497**	53,737,567	46,188,098
CAPITAL AND RESERVES				
Share capital	42	**566,172**	526,966	474,057
Reserves	43	**59,399,189**	50,992,750	44,599,143
Equity attributable to owners of the Company		**59,965,361**	51,519,716	45,073,200
Non-controlling interests		**2,654,136**	2,217,851	1,114,898
TOTAL EQUITY		**62,619,497**	53,737,567	46,188,098

The consolidated financial statements on pages 61 to 192 were approved and authorised for issue by the board of directors on 22 March 2019 and are signed on its behalf by:

Zhang Bo
Director

Zhang Ruilian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 43(d))	Capital reserve RMB'000 (Note 43(a))	Translation reserve RMB'000 (Note 43(c))	Statutory surplus reserve RMB'000 (Note 43(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2017, as previously reported	526,966	14,946,158	-	793,349	58,504	5,996,316	28,912,037	51,233,330	1,983,536	53,216,866
Business combination under common control (note 57)	-	-	-	275,000	-	-	11,386	286,386	234,315	520,701
At 1 January 2018 (Restated)	526,966	14,946,158	-	1,068,349	58,504	5,996,316	28,923,423	51,519,716	2,217,851	53,737,567
Profit for the year	-	-	-	-	-	-	5,407,422	5,407,422	378,830	5,786,252
Other comprehensive (expense) income for the year										
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(67,936)	-	-	-	-	(67,936)	-	(67,936)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	89,866	-	-	89,866	57,455	147,321
Share of other comprehensive income of associates	-	-	-	-	75,295	-	-	75,295	-	75,295
Total comprehensive (expense) income	-	-	(67,936)	-	165,161	-	5,407,422	5,504,647	436,285	5,940,932
Issue of shares (note 42)	41,710	5,079,271	-	-	-	-	-	5,120,981	-	5,120,981
Transaction costs attributable to issue of shares (note 42)	-	(60,822)	-	-	-	-	-	(60,822)	-	(60,822)
Issue of shares upon conversion of convertible bonds (note 39)	4,495	468,753	-	-	-	-	-	473,248	-	473,248
Shares repurchased and cancelled (note 42)	(6,999)	(603,939)	-	-	-	-	-	(610,938)	-	(610,938)
Transfer of reserves	-	-	-	-	-	1,208,529	(1,208,529)	-	-	-
Consideration for acquisitionof a subsidiary under common control (notes 2 and 57)	-	-	-	(284,407)	-	-	-	(284,407)	-	(284,407)
Dividend paid (note 15)	-	-	-	-	-	-	(1,697,064)	(1,697,064)	-	(1,697,064)
	39,206	4,883,263	-	(284,407)	-	1,208,529	(2,905,593)	2,940,998	-	2,940,998
At 31 December 2018	566,172	19,829,421	(67,936)	783,942	223,665	7,204,845	31,425,252	59,965,361	2,654,136	62,619,497

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 43(a))	Translation reserve RMB'000 (Note 43(c))	Statutory surplus reserve RMB'000 (Note 43(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2016, as previously reported	474,057	10,393,143	793,349	144,453	5,147,142	27,846,168	44,798,312	889,990	45,688,302
Business combination under common control (note 57)	–	–	275,000	–	–	(112)	274,888	224,908	499,796
At 1 January 2017 (Restated)	474,057	10,393,143	1,068,349	144,453	5,147,142	27,846,056	45,073,200	1,114,898	46,188,098
Profit for the year	–	–	–	–	–	5,130,064	5,130,064	197,673	5,327,737
Other comprehensive (expenses) income for the year									
Exchange differences on translation of financial statements of foreign operations	–	–	–	(47,039)	–	–	(47,039)	(55,370)	(102,409)
Share of other comprehensive expense of associates	–	–	–	(38,910)	–	–	(38,910)	–	(38,910)
Total comprehensive (expense) income	–	–	–	(85,949)	–	5,130,064	5,044,115	142,303	5,186,418
Acquisition of subsidiaries (note 46)	–	–	–	–	–	–	–	960,650	960,650
Shares issued (note 42)	53,454	4,615,950	–	–	–	–	4,669,404	–	4,669,404
Share issue expenses	–	(1,440)	–	–	–	–	(1,440)	–	(1,440)
Dividend paid (note 15)	–	–	–	–	–	(3,203,523)	(3,203,523)	–	(3,203,523)
Transfer of reserves	–	–	–	–	849,174	(849,174)	–	–	–
Shares repurchased and cancelled (note 42)	(545)	(61,495)	–	–	–	–	(62,040)	–	(62,040)
	52,909	4,553,015	–	–	849,174	(4,052,697)	1,402,401	960,650	2,363,051
At 31 December 2017 (Restated)	526,966	14,946,158	1,068,349	58,504	5,996,316	28,923,423	51,519,716	2,217,851	53,737,567

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**8,335,692**	7,116,690
Adjustments for:		
Interest income	**(691,914)**	(663,231)
Finance costs	**4,433,389**	4,080,942
Share of profits of associates	**(429,545)**	(371,989)
Depreciation	**7,175,825**	7,781,035
Gain on disposal of property, plant and equipment	**(7,292)**	(8,096)
(Gain) loss on fair value changes of derivatives	**(397,683)**	19,897
Investment loss from derivatives	**–**	19,427
Expenses on issue of convertible bonds	**–**	10,390
Amortisation of prepaid lease payments	**167,827**	85,538
Amortisation of intangible assets	**2,924**	998
Reversal of impairment of inventories	**–**	(51,235)
Impairment loss recognised in respect of inventories	**36,524**	149,836
Impairment loss recognised in respect of trade receivables	**–**	9,064
Impairment loss recognised in respect of other receivables	**13,447**	22,519
Impairment loss recognised in respect of goodwill	**656,945**	668,694
Impairment loss recognised in respect of property, plant and equipment	**–**	4,828,763
Gain on disposal of a subsidiary	**648,772**	–
Amortisation of deferred income	**(17,920)**	(12,159)
Operating cash flows before movements in working capital	**19,926,991**	23,687,083
(Increase) decrease in inventories	**(4,147,874)**	1,436,791
Increase in trade receivables	**(4,531,192)**	(1,602,991)
Decrease (increase) in bills receivables	**185,853**	(2,190,537)
(Increase) decrease in prepayments and other receivables	**(787,117)**	4,354,239
Increase in restricted bank balance	**–**	(2,732)
Increase in trade and bills payables	**599,345**	8,506,782
Increase in other payables and accruals	**281,319**	834,992
Cash generated from operations	**11,527,325**	35,023,627
Income tax paid	**(2,167,362)**	(2,685,609)
NET CASH FROM OPERATING ACTIVITIES	**9,359,963**	32,338,018

	2018 RMB'000	2017 RMB'000 (Restated)
INVESTING ACTIVITIES		
Advance to a supplier	**–**	(13,057,000)
Purchase of financial assets at FVTOCI	**(976,106)**	–
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(4,168,941)**	(8,826,305)
Placement of restricted bank deposits	**(3,250,738)**	(3,073,310)
Net cash outflow arising on acquisition of subsidiaries	**–**	(568,195)
Net cash inflow arising on disposal of a subsidiary	**1,474,000**	–
Addition to prepaid land lease payments and deposits for acquisition of land	**(1,306,262)**	(158,487)
Proceeds from disposal of property, plant and equipment	**170,984**	41,579
Addition to intangible assets	**(11,625)**	–
Interest income received	**691,914**	722,677
Withdrawal of restricted bank deposits	**3,256,853**	2,210,261
Repayment from a supplier	**9,950,000**	3,107,000
Proceeds from termination of derivatives	**57**	4,837
Proceeds from disposal of financial assets at FVTPL	**6,000**	–
Addition of subsidiary	**(284,407)**	–
Addition of an associate	**(102,913)**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**5,448,816**	(19,596,943)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000 (Restated)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**23,822,331**	17,935,181
Proceeds from other borrowing	**1,366,569**	–
Proceeds from issuance of short-term debentures and notes	**4,000,000**	8,000,000
Proceeds from issue of shares	**5,120,981**	4,669,404
Proceeds from issuance of medium-term debentures and bonds	**7,800,000**	3,000,000
Proceeds from issue of convertible bonds	**–**	2,113,088
Proceeds from guaranteed notes	**2,865,150**	–
Receipt of government grants	**287,598**	168,727
Transaction costs attributable to issue of new shares	**(60,822)**	(1,440)
Transaction costs on issuance of medium-term debentures and notes	**(89,768)**	(1,519)
Transaction costs on issuance of short-term debentures and notes	**(46,035)**	(15,864)
Transaction costs on issue of convertible bonds	**–**	(22,075)
Transaction costs on issue of guaranteed notes	**(30,793)**	–
Payment on repurchase of shares	**(610,938)**	(62,040)
Repayment of guaranteed notes	**(1,845,079)**	(2,877,945)
Interest expense paid	**(3,919,599)**	(3,993,894)
Repayment of short-term debentures and notes	**(3,000,000)**	(16,000,000)
Repayment of bank borrowings	**(13,751,924)**	(16,831,977)
Repayment of medium-term debentures and notes	**(8,442,000)**	–
Dividends paid to the owners of the Company	**(4,862,825)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**8,602,846**	(3,920,354)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**23,411,625**	8,820,721
Effect of changes in foreign exchange rates	**20,849**	(14,429)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**21,947,939**	13,141,647
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	**45,380,413**	21,947,939

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Law of Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and immediate holding company is China Hongqiao Holdings Limited ("Hongqiao Holdings"), a company incorporated in the British Virgin Islands ("BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the "Group") are set out in note 56.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries in the People's Republic of China ("PRC") and Hong Kong. The functional currency of the subsidiary established in Indonesia is denoted in Indonesia Rupiah ("IDR").

2. BASIS OF PREPARATION

Merger accounting for business combination involving entities under common control

On 22 January 2018, Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with 山東魏橋創業集團有限公司, Shandong Weiqiao Chuangye Group Company Limited ("Weiqiao Chuangye"), for the purchase of 55% equity interest in Chongqing Weiqiao Financial Factoring Co., Ltd. ("Chongqing Weiqiao"), at a cash consideration of approximately RMB284,407,000. The acquisition was completed on 25 January 2018, and Chongqing Weiqiao has become a subsidiary of the Group since then. As Weiqiao Chuangye and the Company are ultimately controlled by Mr. Zhang Shiping, the acquisition of Chongqing Weiqiao was regarded as business combination under common control.

The net assets of the combining entity or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share/registered capital of the combining entity or business against the related investment costs have been made to capital reserve in the consolidated statement of changes in equity. The details of the restated balances have been disclosed in note 57.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows for the prior periods have been restated to include the operating results of Chongqing Weiqiao as if this acquisition had been completed on 1 January 2017.

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

In the current year, the Group has applied the following amendments to IFRSs and amendments to International Accounting Standards ("IAS(s)") and interpretations ("Int"), issued by the International Accounting Standards Board (the "IASB").

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 28	As part of Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
FRIC-Int 22	Foreign Currency Transactions and Advance Consideration

The impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to 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 the consolidated financial statements.

IFRS 9 *Financial instruments*

IFRS 9 replaced the provision of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied IFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under IFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained as at 1 January 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 4 below.

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

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

IFRS 9 *Financial instruments* (Continued)

(i) Classification and measurement of financial instruments (Continued)

Unlisted equity investments previously classified as available-for-sale investments carried at cost less impairment:

For the available-for-sale unlisted equity investments carried at cost less impairment amounting to RMB6,000,000, the Group has not elected the option for designation at fair value through other comprehensive income ("FVTOCI") and reclassified them to financial assets at fair value through profit or loss ("FVTPL"). The Group measures it at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss. There was no material change in fair value as at 1 January 2018 as a result of the change in classification.

Derivatives component of convertible bonds ("CBs") issued by the Group previously at FVTPL:

The Group's derivatives component of CBs amounting to RMB991,660,000 as measured at FVTPL under IAS 39 and continue to be measured at FVTPL. However, the amount of change in the fair value that is attributable to changes in the credit risk of these liabilities is now recognised in other comprehensive income with the remaining fair value change recognised in profit or loss. On initial application of IFRS 9, no fair value gains or losses attributable to changes in the credit risk relating to these liabilities was transferred from retained earnings to other comprehensive income as at 1 January 2018 as no change in the credit risk relating to these liabilities.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all other recognised financial assets and financial liabilities that are within the scope of IFRS 9 are continued to measure on the same bases as are previously measured under IAS 39.

Note (iii) below tabulates the change in classification and measurement of the Group's financial assets and financial liabilities upon application of IFRS 9.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward-looking ECL approach. As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under IAS 39.

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

IFRS 9 *Financial instruments* (Continued)

(iii) Summary of effects arising from initial application of IFRS 9

The table below summarises the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities and reconciles the carrying amounts of financial assets and financial liabilities under IAS 39 to the carrying amounts under IFRS 9 on 1 January 2018.

	Carrying amount previously reported at 31 December 2017 RMB'000 (Restated)	Impact on adoption of IFRS 9 – Reclassification RMB'000	Carrying amount as restated at 1 January 2018 RMB'000
Financial assets			
Loans and receivables			
Loans to associates	716,394	(716,394)	–
Trade receivables	2,211,734	(2,211,734)	–
Bills receivables	11,912,479	(11,912,479)	–
Loans and other receivables	10,887,278	(10,887,278)	–
Restricted bank deposits	1,262,589	(1,262,589)	–
Cash and cash equivalents	21,947,939	(21,947,939)	–
Financial assets at amortised cost			
Loans to associates	–	716,394	716,394
Trade receivables	–	2,211,734	2,211,734
Bills receivables	–	11,912,479	11,912,479
Loans and other receivables	–	10,887,278	10,887,278
Restricted bank deposits	–	1,262,589	1,262,589
Cash and cash equivalents	–	21,947,939	21,947,939
Available-for-sale investments			
Unlisted equity securities	6,000	(6,000)	–
Financial assets at FVTPL			
Unlisted equity securities	–	6,000	6,000
Other derivative	57	–	57

All financial liabilities have not been impacted by the application of IFRS 9 and continue to be classified and measured on the same basis as they were under IAS 39.

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

IFRS 15 *Revenue from contracts with customers*

IFRS 15 superseded IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group's accounting policies for its revenue streams are disclosed in detail in note 4 below.

The Group is principally engaged in the business of manufacture and sales of aluminum products. As at 1 January 2018, the "receipt in advance" from customers of approximately RMB710,110,000 included in other payable and accruals was reclassified as "contract liabilities" in adoption of IFRS 15.

The Group concluded that revenue from sale of goods should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, which is consistent with the previous accounting policy. Therefore, the adoption of IFRS 15 has no impact on the timing of revenue recognition in this regard.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after 1 January 2020.

[3] Effective for annual periods beginning on or after 1 January 2021.

[4] Effective for annual periods beginning on or after a date to be determined.

[5] Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Company anticipate that, except as described below, the application of other new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

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

IFRS 16 *Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB10,455,000 as disclosed in note 49. Out of this balance, an amount of RMB8,356,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under IFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of IFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for other financial assets and liabilities that are measured at fair values.

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

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 (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries 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 component of other comprehensive income of subsidiaries 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.

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* (on or after 1 January 2018) or IAS 39 *Financial Instruments: Recognition and Measurement* (before 1 January 2018) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

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

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

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

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees and costs of furnishing information to shareholders, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

Interests in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9 (on or after 1 January 2018) or IAS 39 (before 1 January 2018). Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest is reclassified to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Revenue recognition

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15)

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

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

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15) (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract liabilities

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

Revenue from sales of aluminum products is recognised at a point in time when the control of the goods is transferred to the customers. Control of the goods is considered transferred to customers at the time of delivery.

Revenue from sales of steam and electricity are recognised at a point in time when the resources are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of dividend can be measured reliably).

Leasing

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 at 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. 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).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint arrangement that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefits costs and termination benefits

Payments to defined contribution plans including included state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of profit or loss and other 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 bases 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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 associated with investments in subsidiaries and associates, 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 the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, 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.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible asset acquired in a business combination

Intangible asset acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term time deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding the ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “Other income and gains” line item (note 8).

Equity instruments as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

- The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item. Fair value is determined in the manner described in note 45.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative.

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and other receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, including bills receivables, restricted bank deposits and cash and cash equivalents, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Derecognition of financial assets

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 party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018)

Financial assets

The Group's financial assets are classified into financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 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 debt instrument, 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.

Financial assets at FVTPL

A financial asset may be designated as FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. Fair value is determined in the manner described in note 45.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

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 receivables, loan and other receivables, restricted bank deposits and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial assets, such as trade receivables, bills receivables, loan and other receivables, 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 national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, loan 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 or bills receivable or loan 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 financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Impairment loss on available-for-sale equity investments will not be reversed through profit or loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into either financial liabilities at FVTPL or other financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of a portfolio of identified 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.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in profit or loss and excludes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 45.

Other financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

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.

Equity instruments

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

Derecognition

A financial asset is derecognised 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 neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. 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 and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Derecognition (Continued)

A financial liability is derecognised 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.

CBs

CBs issued by the Group that contain the liability and derivatives (which are not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option and redemption option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are classified as derivatives component. At the date of issue, both the liability and derivatives components are measured at fair value.

In subsequent periods, the liability component of the CBs is carried at amortised cost using the effective interest method. The 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 CBs are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivatives components are charged directly to 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 CBs using the effective interest method.

Derivative financial instruments

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

Embedded derivatives

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) 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 the CGU) 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 the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Ownership of the land and buildings

Despite the Group has paid the full purchase consideration as detailed in notes 17 and 19, formal titles of certain of the Group's rights to the use of the land and buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of Company determine to recognise these lands and buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these lands and buildings. In the opinion of the directors of Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Controls in subsidiaries

As per note 46 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited (formerly known as Loften Environmental Technology Co., Ltd) ("Hongchuang") is a subsidiary of the Group even through the Group has only a 28.18% ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in PRC and its shares are listed on the Shenzhen Stock Exchange. The Group has had 28.18% ownership interest since May 2017 and the remaining 71.82% of the ownership interests are held by numerous shareholders that are unrelated to the Group.

The directors of the Company assessed the Group's control over Hongchuang on the basis of its practical ability to direct the relevant activities unilaterally. In making their judgement, the directors of the Company consider that the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

Withholding tax provision on profit appropriation

The Group provides for withholding taxes of 10% on certain of its PRC subsidiaries' distributable profits generated from 1 January 2011 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2018, the amounts provided for withholding tax was approximately RMB182,433,000 (2017: RMB142,261,000). Further details are given in note 40.

Related party transactions

As per note 51 to the consolidated financial statements, the directors of the Company considered various entities, which are either associates of the Group or companies controlled or significantly influenced by a controlling shareholder of the Company, are related parties of the Group.

The directors of the Company regularly review and assess the list of entities and personnels that may fall within the definition of related parties under IAS 24 Related Party Disclosures and their transactions with the Group. In making their judgement, the directors of the Company consider both the legal and practical aspects in whether these entities are defined as related parties of the Group.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use/fair value less costs of disposal of the cash-generating units ("CGUs") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimating the fair value less costs of disposal requires the Group to make estimates on the blockage discount factor to be applied in selling its entire interests in the CGU and transaction costs involved. The carrying amount of goodwill at 31 December 2018 was approximately RMB608,818,000 (2017: RMB1,265,763,000), net of accumulated impairment losses of approximately RMB1,325,639,000 (2017: RMB668,694,000). Further details are given in note 22.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses and decelerated tax depreciation at 31 December 2018 were approximately RMB186,040,000 (2017: RMB149,467,000) and approximately RMB1,037,038,000 (2017: RMB1,151,816,000), respectively. The amount of unrecognised tax losses at 31 December 2018 was approximately RMB3,789,070,000 (2017: RMB1,481,719,000). Further details are contained in note 40.

PRC Corporate Income Tax ("PRC CIT")

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Carrying amount of property, plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately RMB76,361,390,000 (2017: RMB84,043,112,000), net of accumulated impairment of property, plant and equipment of approximately RMB4,828,763,000 (2017: RMB4,828,763,000) and identify if there is indication that those assets many suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value in use. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates.

Based on the directors' assessment of recoverable amount of each CGU and with reference to the fair values calculation of certain property, plant and equipment assessed by independent valuer, no impairment loss on property, plant and equipment has been recognised for the year ended 31 December 2018. Impairment loss on property, plant and equipment of approximately RMB4,828,763,000 was recognised for the year ended 31 December 2017.

Depreciation and useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation based on the Group's business model, its asset management policy, the industry practice and expected usage of each category of property, plant and equipment. The directors of the Company assess the residual values and the useful lives of the property, plant and equipment annually and if the expectation differs from the original estimates, such differences may impact the depreciation in the year and the estimates will be changed in the future period. For the years ended 31 December 2018 and 2017, there were no changes on the useful lives and residual value of property, plant and equipment.

Impairment of trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2018, the carrying amount of trade receivables was approximately RMB6,750,578,000 (2017 : RMB 2,211,734,000), net of allowance for impairment loss of approximately RMB6,725,000 (2017: RMB15,772,000).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of a consideration receivable (included in other receivables)

In determining the ECL for this asset, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, in estimating the probability of default of each of this receivable occurring within its loss assessment time horizon, as well as the loss upon default. As at 31 December 2018, the carrying amount of the consideration receivable is approximately RMB1,417,074,000 (2017: nil). No impairment loss has been recognised for the years ended 31 December 2018 and 2017.

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on subsequent sales, 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 2018, the carrying amount of inventories was approximately RMB19,805,561,000 (2017: RMB15,585,329,000) as disclosed in note 25.

Fair value of derivatives component of CBs

The management of the Group uses their judgments 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 derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amounts of derivatives component of CBs of approximately RMB415,195,000 (2017: RMB991,660,000) as at 31 December 2018 are set out in note 39.

6. REVENUE

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

	2018 **RMB'000**	2017 RMB'000 (Restated)
Revenue from sales of aluminum products		
– molten aluminum alloy	**67,420,193**	76,001,047
– aluminum alloy ingots	**4,096,199**	11,720,058
– aluminum fabrication	**7,134,952**	5,416,862
– alumina (note)	**11,044,951**	4,629,264
Steam supply income	**498,629**	174,685
	90,194,924	97,941,916

Note: During the current year, sale of alumina become ordinary activities of the Group and are recorded as revenue as the management of the Company decide to capture the growth in demand of alumina in the market.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Geographical region		
The PRC	**87,199,649**	96,604,927
India	**785,959**	–
Europe	**1,227,826**	519,515
Malaysia	**516,139**	205,221
Others	**465,351**	612,253
Total	**90,194,924**	97,941,916
Type of customers		
Government related	**2,693**	2,410
Non-government related	**90,192,231**	97,939,506
Total	**90,194,924**	97,941,916
Sales channels		
Direct sales	**90,194,924**	97,941,916

The revenue for the year ended 31 December 2018 are revenue from contracts with customers within the scope of IFRS 15.

7. SEGMENT INFORMATION

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

Geographic information

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

The Group operates principally in the PRC (including Hong Kong) and Indonesia. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2018 RMB'000	2017 RMB'000 (Restated)
PRC	**77,649,656**	84,655,546
Indonesia	**5,748,658**	5,670,065
	83,398,314	90,325,611

Note: Non-current assets excluded financial instruments, loans to associates and deferred tax assets.

Information about major customers

Revenue from a customer of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2018 RMB'000	2017 RMB'000
Customer A	**36,027,053**	44,833,430

8. OTHER INCOME AND GAINS

	2018 RMB'000	2017 RMB'000 (Restated)
Bank interest income	**113,424**	54,955
Other interest income	**72,405**	64,194
Loan receivables interest income	**506,085**	544,082
Imputed interest on receivables arising from disposal of a subsidiary (note 47)	**58,716**	–
Gain from sales of raw materials and scraps materials	**247,614**	53,996
Gain from sales of slag of carbon anode blocks	**899,878**	958,709
Gain from disposal of property, plant and equipment	**7,292**	8,096
Reversal of impairment of inventories	**62,370**	51,235
Reversal of impairment of trade receivables	**9,047**	–
Amortisation of deferred income (note 41)	**17,920**	12,159
Value-added tax ("VAT") income (note)	**15,303**	40,066
Foreign exchange gain, net	**–**	529,161
Rental income	**15,976**	5,011
Others	**109,366**	175,934
	2,135,396	2,497,598

Note: Pursuant to the VAT reform, entities engaged in the finance lease business are eligible for refund of VAT that is in excess of 3% actual VAT rate. The amount represented such VAT refund income received by a subsidiary of the Company who is engaged in finance lease business.

9. OTHER EXPENSES

	2018 RMB'000	2017 RMB'000 (Restated)
Impairment loss recognised in respect of property, plant and equipment (note)	**–**	4,828,763
Impairment loss recognised in respect of goodwill	**656,945**	668,694
Write-down of inventories to net realisable value (note)	**36,524**	149,836
Impairment loss recognised in respect of other receivables	**13,447**	24,450
Impairment loss recognised in respect of trade receivables	**–**	7,133
	706,916	5,678,876

Note:

On 12 April 2017, the National Development and Reform Commission of the PRC (中國國家發展與改革委員會), the Ministry of Industry and Information Technology of the PRC (中國工業和信息化部), the Ministry of Land and Resources of the PRC (中國國土資源部) and the Ministry of Environmental Protection of the PRC (中國環境保護部) jointly issued Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects (《清理整頓電解鋁行業違法違規項目專項行動工作方案的通知》). The issuance of such policy manifests continuing promotion of the reform of the supply-side and healthy and stable development of Chinese aluminum industry by the PRC government. Details are set out in the announcement of the Company date 15 August 2017.

9. OTHER EXPENSES (Continued)

Note: (Continued)

For the year ended 31 December 2017, due to the relevant governmental regulations, decisions and action plans in Chinese aluminum industry, the directors of the Company have shut down certain projects and conducted a review of the Group's property, plant and equipment and determined that a number of those property, plant and equipment were impaired. Accordingly, impairment losses of RMB4,828,763,000 and RMB149,836,000 have been recognised in respect of the Group's property, plant and equipment and inventories respectively. The relevant inventories have been written down to their net realisable values. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value in use.

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based predominantly on value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using zero growth rate until the end of the expected useful lives of relevant plants and machineries. Other key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses. Management determined these key assumptions based on past performance and their expectations on market development. Further, the Group adopts a pre-tax rate of ranging from 12.7% to 14.0% that reflects specific risks related to the CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of the CGUs within operating segments.

The valuation carried out on 31 December 2017 was performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations.

The valuation of property, plant and equipment, which was measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Level 3 based on the degree to which the inputs to fair value measurement observables. There were no transfers between levels of fair value hierarchy during the year ended 31 December 2017.

10. FINANCE COSTS

	2018 **RMB'000**	2017 RMB'000 (Restated)
Interest expenses on bank borrowings	**1,434,011**	1,110,240
Interest expenses on other borrowing	**43,025**	–
Interest expenses on short-term debentures and notes	**215,455**	421,355
Interest expenses on medium-term debentures and bonds	**2,357,323**	2,304,152
Interest expenses on guaranteed notes	**190,565**	256,952
Interest expenses on CBs	**193,010**	22,140
	4,433,389	4,114,839
Less: amounts capitalised under construction in progress	**–**	(33,897)
	4,433,389	4,080,942

The borrowing costs had been capitalised at a rate of 4.38% per annum for the year ended 31 December 2017.

11. INCOME TAX EXPENSES

	2018 RMB'000	2017 RMB'000 (Restated)
Current tax:		
– Hong Kong Profits Tax	**31,623**	–
– PRC Enterprise Income Tax ("EIT")	**2,154,684**	3,126,705
– Indonesia Corporate Tax	**278,619**	–
Over provision in prior year		
– PRC EIT	**–**	(2,298)
	2,464,926	3,124,407
Deferred taxation (note 40)	**84,514**	(1,335,454)
Total income tax expenses for the year	**2,549,440**	1,788,953

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. No tax is payable on the profit arising in Hong Kong for the year ended 31 December 2017 since the assessable profit is wholly absorbed by tax losses brought forward.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. During the year ended 31 December 2018, two PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" and complied the requirements of tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2017: 25%).

The subsidiaries incorporated in BVI had no assessable profits since their incorporation.

A subsidiary operating in Indonesia is subject to corporate tax rate of Indonesia at 25% for the year ended 31 December 2018. No provision of tax has been made for the year ended 31 December 2017 as there is no assessable profits since its incorporation.

11. INCOME TAX EXPENSES (Continued)

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax. The PRC dividend withholding tax rate was change from 5% to 10% due to the applicability of the Sino-Hong Kong tax treaty during the year ended 31 December 2015. An amount of deferred tax liability of approximately RMB182,433,000 (2017: RMB91,588,000 was released) is recognised in respect of the PRC subsidiaries' undistributed profits.

The tax charge 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:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Profit before taxation	**8,335,692**	7,116,690
Tax at the domestic income tax rate of 25% (note i)	**2,083,923**	1,779,173
Tax effect of income not taxable for tax purpose	**(198,191)**	(69,062)
Tax effect of expenses not deductible for tax purpose	**152,765**	302,101
Tax effect of tax losses not recognised	**717,462**	197,752
Utilisation of tax losses previously not recognised	**(95,613)**	(153,204)
Over-provision in respect of prior years	**–**	(2,298)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(27,817)**	1,356
Effect of income tax on concessionary rate	**(1,251)**	–
Effect of two-tiered profits tax rates regime	**(139)**	–
Tax effect of share of profits of associates	**(107,386)**	(92,997)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**182,433**	(91,588)
Tax effect of a tax facility granted by government	**(14,053)**	(82,280)
Tax effect of tax exemption (note ii)	**(34)**	–
Tax effect of super deduction from research and development expenses	**(142,659)**	–
Income tax expenses for the year	**2,549,440**	1,788,953

Notes:

i. The domestic tax rate (which is the PRC EIT) in the jurisdiction where the operation of the Group is substantially based is used.

ii. Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2018/2019 by 75%, subject to a ceiling of HK$20,000 per case.

Details of the deferred taxation are set out in note 40.

12. PROFIT FOR THE YEAR

	2018 RMB'000	2017 RMB'000 (Restated)
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 13)	**5,675**	4,854
Salaries and allowances (excluding directors' and chief executive's emoluments)	**3,224,888**	3,559,671
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**142,263**	153,711
Total staff costs	**3,337,826**	3,718,236
Auditor's remuneration	**4,200**	4,200
Amortisation of prepaid lease payments	**167,827**	85,538
Amortisation of intangible assets	**2,924**	998
Cost of inventories recognised as an expense	**73,815,240**	80,868,026
Depreciation of property, plant and equipment	**7,168,500**	7,775,494
Depreciation of investment properties	**7,325**	5,541
Investment loss on derivatives	**57**	19,427
Foreign exchange losses, net	**794,178**	–
Research and development expenses (note)	**760,849**	4,854
Gross rental income from investment properties	**15,976**	5,011
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**(236)**	(80)
	15,740	4,931

Note: Included in research and development expenses was staff cost of RMB121,660,000 (2017: nil) which has been included in staff costs disclosure above.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 11 (2017: 11) directors and the chief executive were as follows:

	Executive directors				Non-executive directors			Independent non-executive directors				
	Zhang Shiping ("Mr Zhang") RMB'000	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong (Zhang Hao as his alternate)[2] RMB'000	Xing Jian RMB'000	Chen Yinghai[3] RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2018												
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings												
Fees	1,500	500	800	500	600	300	145	200	92	200	200	5,037
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings												
Other emoluments												
– Salaries and allowances	153	98	141	94	112	-	-	-	-	-	-	598
– Retirement benefit scheme contributions	-	-	14	13	13	-	-	-	-	-	-	40
	1,653	598	955	607	725	300	145	200	92	200	200	5,675

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

The emoluments paid or payable to each of the 11 (2017: 11) directors and the chief executive were as follows:

	Executive directors				Non-executive directors			Independent non-executive directors				
	Zhang Shiping ("Mr Zhang")	Zheng Shuliang	Zhang Bo	Zhang Ruilian[1]	Yang Congsen	Zhang Jinglei	Chen Yisong (Zhang Hao as his alternate)[2]	Xing Jian	Chen Yinghai[3]	Han Benwen	Dong Xinyi[1]	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2017												
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings												
Fees	1,500	500	800	28	600	300	17	200	200	200	12	4,357
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings												
Other emoluments												
– Salaries and allowances	121	78	107	75	91	–	–	–	–	–	–	472
– Retirement benefit scheme contributions	–	–	9	8	8	–	–	–	–	–	–	25
	1,621	578	916	111	699	300	17	200	200	200	12	4,854

1. Appointed on 11 December 2017.
2. Appointed on 11 December 2017, resigned on 2 February 2018 and appointed on 31 August 2018
3. Resigned on 16 May 2018

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

There were no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

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.

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2018 and 2017.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
Salaries and other benefits	**2,716**	4,332
Retirement benefits scheme contributions	**46**	47
	2,762	4,379

Their emoluments were within the following bands:

	No. of employee	
	2018	2017
Nil to HK$1,000,000 (approximately RMB876,000)	**1**	–
HK$1,000,001 to HK$1,500,000 (approximately RMB876,000 to RMB1,314,000)	**2**	1
HK$1,500,001 to HK$2,000,000 (approximately RMB1,314,000 to RMB1,752,000)	**–**	1
HK$2,000,001 to HK$2,500,000 (approximately RMB1,752,000 to RMB2,191,500)	**–**	1
	3	3

15. DIVIDENDS

	2018 RMB'000	2017 RMB'000 (Restated)
Dividends recognised as distribution during the year	**1,697,064**	3,203,523

Subsequent to the end of the reporting period, a final dividend of HK24 cents per share in respect of the year ended 31 December 2018 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

During the current year, a final dividend of HK20 cents per share in respect of the year ended 31 December 2017 has been approved and paid.

During the year ended 31 December 2017, a final dividend of HK27 cents per share and a special dividend of HK20 cents per share in respect of the year ended 31 December 2016 were approved by the shareholders in general meeting. These dividends were paid during the year ended 31 December 2018.

16. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share	**5,407,422**	5,130,064
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of CBs	**193,010**	22,140
Changes in fair values of derivatives component of CBs	**(397,683)**	18,231
Exchange loss (gain) on translation of CBs	**112,322**	(45,199)
Earnings for the purpose of diluted earnings per share	**5,315,071**	5,125,236

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,696,856**	7,343,286
Effect of dilutive potential ordinary shares:		
CBs	**256,657**	28,571
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**8,953,513**	7,371,857

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2017 (Restated)	34,756,180	65,896,833	60,952	66,190	4,529,272	105,309,427
Additions	56,416	141,313	15,378	12,531	9,906,271	10,131,909
Acquired on acquisition of subsidiaries (note 46)	54,965	135,840	583	554	–	191,942
Transfer	2,096,620	6,121,934	–	–	(8,218,554)	–
Disposals	–	(669,588)	–	(75)	–	(669,663)
Exchange realignment	(230,447)	(70,828)	(3,270)	(438)	(16,538)	(321,521)
At 31 December 2017 (Restated) and 1 January 2018	36,733,734	71,555,504	73,643	78,762	6,200,451	114,642,094
Additions	324,315	275,141	2,750	6,871	1,946,960	2,556,037
Transfer	595,534	650,262	–	–	(1,245,796)	–
Disposals	(132,644)	(1,122,990)	(413)	(3,840)	–	(1,259,887)
Disposal of a subsidiary (note 47)	(1,440,601)	(1,656,132)	(2,010)	(2,256)	(414,590)	(3,515,589)
Exchange realignment	188,568	62,885	518	450	54,364	306,785
At 31 December 2018	36,268,906	69,764,670	74,488	79,987	6,541,389	112,729,440
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2017 (Restated)	3,552,340	15,041,828	28,594	28,161	–	18,650,923
Provided for the year	1,542,947	6,208,364	15,808	8,375	–	7,775,494
Impairment loss recognised	1,498,866	2,389,483	253	258	939,903	4,828,763
Eliminated on disposal	–	(636,128)	–	(52)	–	(636,180)
Exchange realignment	(12,728)	(6,487)	(645)	(158)	–	(20,018)
At 31 December 2017 (Restated) and 1 January 2018	6,581,425	22,997,060	44,010	36,584	939,903	30,598,982
Provided for the year	1,487,717	5,660,464	11,756	8,563	–	7,168,500
Eliminated on disposal	(68,287)	(1,023,992)	(367)	(3,549)	–	(1,096,195)
Eliminated on disposal of a subsidiary (note 47)	(123,529)	(208,758)	(698)	(302)	–	(333,287)
Exchange realignment	19,508	10,011	352	179	–	30,050
At 31 December 2018	7,896,834	27,434,785	55,053	41,475	939,903	36,368,050
CARRYING VALUES						
At 31 December 2018	28,372,072	42,329,886	19,435	38,511	5,601,486	76,361,390
At 31 December 2017 (Restated)	30,152,309	48,558,444	29,633	42,178	5,260,548	84,043,112

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

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

The buildings are situated in PRC and held under medium lease term.

At 31 December 2018, certain of the Group's buildings with a net carrying amount of approximately RMB9,282,147,000 (2017: RMB9,307,202,000) were pledged to secure bank borrowings of the Group (note 34).

There are properties with a carrying amount of approximately RMB5,189,424,000 (2017: RMB5,363,557,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

18. INTANGIBLE ASSETS

	Patents RMB'000
COST	
At 1 January 2017	**–**
Acquired on acquisition of subsidiaries (note 46)	**14,970**
At 31 December 2017 and 1 January 2018	**14,970**
Additions	**11,625**
At 31 December 2018	**26,595**
ACCUMULATED AMORTISATION	
At 1 January 2017	**–**
Provided for the year	**998**
At 31 December 2017	**998**
Provided for the year	**2,924**
At 31 December 2018	**3,922**
CARRYING VALUES	
At 31 December 2018	**22,673**
At 31 December 2017	**13,972**

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over range from 10 to 20 years.

19. PREPAID LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000 (Restated)
Carrying amount at 1 January	**3,892,689**	3,122,655
Addition during the year	**1,321,230**	586,909
Acquired on acquisition of subsidiaries (note 46)	**–**	270,348
Amortisation during the year	**(167,827)**	(85,538)
Exchange realignment	**1,376**	(1,685)
Carrying amount at 31 December	**5,047,468**	3,892,689
Analysed for reporting purposes as:		
Current assets	**132,414**	85,902
Non-current assets	**4,915,054**	3,806,787
	5,047,468	3,892,689

The amount represents the prepayment of rentals for land use rights in the PRC and Indonesia for a period of 20 to 70 years.

There are prepaid lease payments with carrying amount of approximately RMB1,125,462,000 (2017: RMB725,064,000) located in the PRC which the Group is in the process of obtaining the property certificates.

20. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2017	**–**
Acquired on acquisition of subsidiaries (note 46)	**156,472**
At 31 December 2017, 1 January 2018 and 31 December 2018	**156,472**
ACCUMULATED DEPRECIATION	
At 1 January 2017	**–**
Provided for the year	**5,541**
At 31 December 2017	**5,541**
Provided for the year	**7,325**
At 31 December 2018	**12,866**
CARRYING VALUES	
At 31 December 2018	**143,606**
At 31 December 2017	**150,931**

20. INVESTMENT PROPERTIES (Continued)

The fair value of the Group's investment properties as at 31 December 2018 was approximately RMB153,789,000 (2017: RMB156,472,000). The fair value has been arrived at with reference to a valuation carried out by Zhongjing Minxin (Beijing) Assets Appraisal Co., Ltd, independent qualified professional valuers, not connected to the Group. The fair value was determined with reference to recent market prices for similar properties in similar locations and conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The above investment properties are depreciated on a straight-line basis over the terms of the lease range from 6 to 20 years.

The fair value hierarchy as at 31 December 2018 of the investment properties of the Group are at Level 3. There were no transfers between fair value hierarchies during the year.

The following table gives information about how the fair values of the investment properties as at 31 December 2018 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2018 '000	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Investment properties	Level 3	RMB153,789 (2017: RMB156,472)	Depreciated replacement cost ("DRC") approach, Key inputs: Market replacement cost, assets residual ratio	Market Replacement cost per square metre/ per unit	Approximately RMB1,000 per square metre/ from approximately RMB7,000 to RMB712,000 (2017: RMB7,000 to RMB689,000) per unit	The higher the market replacement cost, the higher the fair value
				Assets residual ratio	From approximately 65% to 75% (2017: 69% to 81%)	The higher the assets residual ratio, the lower the fair value

21. INTERESTS IN ASSOCIATES

	2018 **RMB'000**	2017 RMB'000
Costs of investments in associates	**123,140**	20,227
Share of profits and other comprehensive income	**1,017,309**	588,707
	1,140,449	608,934
Loans to associates	**754,952**	716,394
	1,895,401	1,325,328

The loans to associates of United States Dollar ("US$") 110,000,000 (2017: US$110,000,000) are unsecured, interest-free and repayable after one year.

The Group's payable balances with the associates are disclosed in note 51.

As at 31 December 2018 and 2017, the Group had interests in the following material associates:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2018	2017	**2018**	2017	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP") (note)	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
中衡協力投資有限公司 ("Zhong Heng")	Established	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Inactive
GTS Global Trading Pte. Ltd. ("GTS")	Incorporated	Singapore	Singapore	Ordinary	**25%**	–	**25%**	–	Trading of bauxite
山東創新炭材料有限公司 ("創新炭材料")	Incorporated	PRC	PRC	Ordinary	**20%**	–	**20%**	–	Trading of carbon
Winning Consortium Railway Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**29%**	–	**29%**	–	Railway design and construction

21. INTERESTS IN ASSOCIATES (Continued)

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

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

The summarised financial information in respect of the associate that is material to the Group and accounted for using equity method is set out below:

ABM

	2018 RMB'000	2017 RMB'000
Current assets	**6,254,062**	3,660,892
Current liabilities	**(2,406,938)**	(1,304,501)
Revenue	**8,599,058**	6,183,627
Profit for the year	**1,195,340**	1,863,881
Other comprehensive income (expense) for the year	**295,393**	(155,641)
Total comprehensive income for the year	**1,490,733**	1,708,240
Elimination of realised (unrealised) profits	**93,825**	(93,825)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:

	2018 RMB'000	2017 RMB'000
Net assets of the associate	**3,847,124**	2,356,391
Proportion of the Group's ownership interest in ABM	**25%**	25%
Carrying amount of the Group's interest in ABM	**961,781**	589,098

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	2018 RMB'000	2017 RMB'000
The Group's share of profit (loss)	**54,472**	(156)
The Group's share of other comprehensive income	**1,447**	–
The Group's share of total comprehensive income	**55,919**	(156)
Elimination of unrealised profits	**(17,587)**	–

21. INTERESTS IN ASSOCIATES (Continued)

	2018 RMB'000	2017 RMB'000
Carrying amount of the Group's interests in immaterial associates	**178,668**	19,836

The Group has stopped recognising its share of losses of certain associates when applying the equity method. The unrecognised share of those associates, both for the year and cumulatively, are set out below:

	2018 RMB'000	2017 RMB'000
Unrecognised share of profits of associates for the year	**15,381**	35,275

	2018 RMB'000	2017 RMB'000
Accumulated unrecognised share of losses of associates	**7,805**	23,186

22. GOODWILL

	2018 RMB'000	2017 RMB'000
COST		
At beginning of the financial year	**1,934,457**	311,769
Acquired on acquisition of subsidiaries (note 46)	**–**	1,622,688
At the end of the financial year	**1,934,457**	1,934,457
ACCUMULATED IMPAIRMENT LOSSES		
At beginning of the financial year	**668,694**	–
Impairment loss recognised during the year	**656,945**	668,694
At the end of the financial year	**1,325,639**	668,694
CARRYING AMOUNT		
At 31 December	**608,818**	1,265,763

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

During the year ended 31 December 2018, the Group recognised an impairment loss of approximately RMB656,945,000 (2017: RMB668,694,000) in relation to goodwill arising on acquisition of Hongchuang, resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang.

22. GOODWILL (Continued)

Impairment test on goodwill

For the purposes of impairment testing, goodwill has been allocated to the following CGU.

	2018 RMB'000	2017 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Unit A)	**231,351**	231,351
Manufacture and selling of aluminum products in Binzhou, the PRC (Unit B)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**297,049**	953,994
	608,818	1,265,763

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and pre-tax discount rate of 21.65% (2017: 22.63%). Unit A's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A to exceed the aggregate recoverable amount of Unit A.

Unit B

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and a pre-tax discount rate of 21.65% (2017: 22.63%). Unit B's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

22. GOODWILL (Continued)

Impairment test on goodwill (Continued)

Unit B (Continued)

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit B to exceed the aggregate recoverable amount of Unit B.

Hongchuang

The recoverable amount of this CGU approximates to RMB678,334,000 (2017: RMB1,336,469,000) has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang, and a blockage discount factor of 5.08% (2017: 4.04%) and relevant transaction costs.

The key assumption for the fair value less costs of disposal is the blockage factor applied to the quoted share price of Hongchuang, where management considered that the normal daily trading volume for the shares is not sufficient to absorb the quantity of shares held by the Group and therefore placing orders to sell the Group's interest in Hongchuang in a single transaction might affect the quoted price. In determining the blockage factor, management mainly takes into accounts the relevant rules and regulations in shares transactions and historical transaction records in the Shenzhen Stock Exchange.

The fair value hierarchy as at 31 December 2018 and 2017 of Hongchuang are at Level 2. There were no transfers between fair value hierarchies during the year.

23. FINANCIAL ASSETS AT FVTOCI

Financial assets at FVTOCI comprise:

	2018 **RMB'000**	2017 RMB'000
Equity instruments as at FVTOCI		
– Listed	**908,170**	–

The fair value of these investments is disclosed in note 45.

23. FINANCIAL ASSETS AT FVTOCI (Continued)

Investments in listed equity securities represent the Group's investment in Bank of Jinzhou, a company listed in Hong Kong and engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the China Banking Regulatory Commission. These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

24. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2018 **RMB'000**	2017 RMB'000
Unlisted investments:		
– equity securities	**–**	6,000

As at 31 December 2018, the above unlisted equity investments represented investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably. The investment was reclassified to financial assets at FVTPL upon adoption of IFRS 9 on 1 January 2018.

During the year ended 31 December 2018, the Group disposed of the above unlisted equity securities with carrying amount of RMB6,000,000 as at FVTPL upon the application of IFRS 9. No gain or loss on disposal has been recognised in profit or loss.

25. INVENTORIES

	2018 **RMB'000**	2017 RMB'000
Raw materials	**12,252,197**	6,844,106
Work in progress	**6,814,947**	7,510,528
Finished goods	**738,417**	1,230,695
	19,805,561	15,585,329

During the year, the allowance for inventories of approximately RMB36,524,000 (2017: RMB149,836,000) has been recognised and included in other expenses.

During the year, inventories previously impaired were sold at profit. As a result, a reversal of provision of approximately RMB62,370,000 (2017: RMB51,235,000) has been recognised and included in other income and gains in the current year.

26. TRADE RECEIVABLES

	2018	2017
	RMB'000	RMB'000
		(Restated)
Trade receivables	**6,757,303**	2,227,506
Less: allowance for impairment losses	**(6,725)**	(15,772)
	6,750,578	2,211,734

The Group allows an 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 presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period. As at 31 December 2018, the gross amount of trade receivables arising from contracts with customers amounted to RMB6,757,303,000 (1 January 2018: RMB2,227,506,000).

The Group has a policy of allowing average credit period of 90 days to its trade customers.

	2018	2017
	RMB'000	RMB'000
		(Restated)
Within 3 months	**6,304,751**	1,951,269
3-12 months	**438,473**	259,846
12-24 months	**7,076**	618
24-36 months	**278**	1
	6,750,578	2,211,734

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

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB23,939,000 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and they are still considered as recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 90 days.

26. TRADE RECEIVABLES (Continued)

The aged analysis of trade receivables which are past due but not impaired is set out below:

	2017 RMB'000 (Restated)
Neither past due nor impaired	2,187,795
Less than 1 month past due	3,606
More than 1 month but less than 3 months past due	20,333
	2,211,734

In determining the recoverability of the trade receivables, the Group reassesses the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period.

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

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

From 1 January 2018 onwards, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant. As at 31 December 2018, lifetime ECL of approximately RMB6,725,000 has been made in respect of trade receivables with gross amount of RMB6,725,000 as they are determined to be credit impaired. For the remaining balance of approximately RMB6,750,578,000, the Group determines the ECL based on a provision matrix grouped by the past due status of these receivables. However, no loss allowance was made on these receivables as the identified impairment loss is immaterial.

26. TRADE RECEIVABLES (Continued)

The movement in the allowance for impairment of trade receivables is set out below:

	2018 RMB'000	2017 RMB'000 (Restated)
At 1 January	**15,772**	8,639
Reversal of impairment loss	**(9,047)**	–
Impairment loss recognised	**–**	7,133
At 31 December	**6,725**	15,772

At 31 December 2017, the Group's trade receivables of approximately RMB15,772,000 were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that full amount of these receivables is unlikely to be recovered. Consequently full provision for these doubtful debts was recognised. The Group does not hold any collateral over these balances.

27. BILLS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Bills receivables	**11,726,626**	11,912,479

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

	2018 RMB'000	2017 RMB'000
Within 3 months	**6,319,777**	5,116,948
3 to 6 months	**5,046,349**	6,567,541
Over 6 months	**360,500**	227,990
	11,726,626	11,912,479

27. BILLS RECEIVABLES (Continued)

TRANSFERS OF FINANCIAL ASSETS

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

	2018 **RMB'000**	2017 RMB'000
Bills receivable endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**11,681,840**	11,772,983
Carrying amount of trade payables	**(11,050,300)**	(11,647,437)
Carrying amount of other payables	**(631,540)**	(125,546)
Net position as at 31 December	**–**	–

Note: The maturity dates of bills receivables have not yet due at the end of the reporting period. As the Group was still exposed to credit risk on these receivables at the end of the reporting period, the cash received from the bills endorsed to the suppliers for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

From 1 January 2018 onwards, the Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significant difficulties in recovering these bills receivables before their due dates, no additional loss allowance was provided on the Group's bills receivables after the adoption of IFRS 9 in the current year.

28. PREPAYMENTS, LOAN AND OTHER RECEIVABLES

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

	2018	2017
	RMB'000	RMB'000
		(Restated)
Prepayments to suppliers	**1,386,528**	527,893
Value-added tax recoverable	**1,205,447**	1,349,270
CIT refundable	**80,404**	81,656
Receivables arising from dealing with futures	**102,411**	268,996
Receivables arising from disposal of a subsidiary (note 47)	**1,417,074**	–
Factoring receivables (note (i))	**323,627**	191,183
Loan receivable (note (ii))	**–**	9,950,000
Interest receivables	**539**	5,141
Amount due from related parties	**–**	36,867
Others	**269,891**	460,102
	4,785,921	12,871,108
Less: allowance for impairment losses	**(38,458)**	(25,011)
	4,747,463	12,846,097

Notes:

(i) The factoring receivables will be received within one year and carrying interest rate of 10% per annum.

(ii) On 10 February 2017, the Group entered into a loan facility agreement with a supplier of the Group, pursuant to which the Group agreed to provide a loan facility to the supplier of no more than RMB15,000,000,000. The loan receivable was unsecured, beared interest at 7% per annum and repayable one year from 17 February 2017, the drawdown date. The carrying amount of the loan receivable was guaranteed by a related company of the Group, in which the director and controlling shareholder of the Company has significant non-controlling beneficial interest. On 10 February 2018, the loan agreement was renewed and the repayment date was extended to 2 years from the drawdown date.

The above loan money represents part of a participation contribution into an industrial fund initiated by the Zouping County government in order to actively carry out the supply side reform of the aluminum industry. As a leading enterprise in the local aluminum industry cluster, the Group actively participates in the establishment and preparation of such industrial funds according to the work arrangement of the Zouping County government. It is understood that this initial contribution will be used mainly for the preparation and formation of industrial fund. Up to the date of this report, the industrial fund has already been set up, the final fund contribution plan has not been confirmed, but no formal agreement has been signed with the Company. The Company will make relevant disclosures based on the progress. The Company believes that the establishment of such industrial funds will help to reduce the risk of industrial policy and promote the cooperative and healthy development of industrial clusters.

The loan receivable was fully settled, including principal and accrued interest, during the year ended 31 December 2018 (2017: principal and accrued interest of RMB9,954,959,000).

28. PREPAYMENTS, LOAN AND OTHER RECEIVABLES (Continued)

The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows:

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	N/A	23,722	(23,722)	–
Other receivables – Doubtful	4%	324,166	(14,736)	309,430
Other receivables – Performing	*	1,765,654	–	1,765,654
		2,113,542	(38,458)	2,075,084

*: For the remaining balance of other receivables, it has low risk of default or has not been significantly increase in credit risk since initial recognition. The directors of the Company consider the ECL is immaterial.

The movement in the impairment allowance for other receivables during the year are as follows:

	2018 RMB'000	2017 RMB'000 (Restated)
At 1 January	**25,011**	561
Increase during the year	**13,447**	24,450
At 31 December	**38,458**	25,011

At 31 December 2017, the Group's other receivables of approximately RMB25,011,000 were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that full amount of these receivables is unlikely to be recovered. Consequently full provision for these doubtful debts was recognised. The Group does not hold any collateral over these balances.

29. OTHER FINANCIAL ASSETS

	2018 RMB'000	2017 RMB'000
Other derivatives		
Foreign currency swap	**–**	57

	2018 RMB'000	2017 RMB'000
Amounts shown under current assets	**–**	57

29. OTHER FINANCIAL ASSETS (Continued)

Year ended 31 December 2017

Major terms of the foreign currency forward contracts are as follows:

Notional amount	Maturity	Exchange rate
Sell RMB65,200,000	27 April 2018	RMB6.52:US$1

30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2018 RMB'000	2017 RMB'000 (Restated)
Cash and bank balances	**45,380,413**	21,947,939
Restricted bank deposits	**1,256,474**	1,262,589
	46,636,887	23,210,528
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,000,000)**	(1,000,000)
– pledged for issuance of letter of credit	**(231,474)**	(230,025)
– pledged for guarantee issued	**(25,000)**	(27,000)
– other restricted bank balances	**–**	(5,564)
Cash and cash equivalents	**45,380,413**	21,947,939

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

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

Bank balances and time deposits carry interest at market rates which range from 0.05% to 1.50% (2017: 0.01% to 1.75%) per annum.

As at 31 December 2018, no bank balances were frozen by the Zhang Yuan Xian District Court. Details are set out in note 53 (2017: RMB5,564,000).

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate from 0.05% to 1.55% (2017: 1.5% to 1.75%) per annum.

31. CHANGES IN FAIR VALUE OF DERIVATIVES

	2018 RMB'000	2017 RMB'000 (Restated)
Changes in fair value of derivatives arising from:		
– other financial assets	–	(1,666)
– derivatives component of CBs (note 39)	397,683	(18,231)
	397,683	(19,897)

32. TRADE AND BILLS PAYABLES

	2018 RMB'000	2017 RMB'000 (Restated)
Trade payables to third parties	14,396,790	13,787,489
Trade payables to an associate	264,647	272,611
	14,661,437	14,060,100
Bills payables	2,000,000	2,000,000
	16,661,437	16,060,100

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period.

	2018 RMB'000	2017 RMB'000 (Restated)
Within 6 months	14,333,933	13,894,747
6-12 months	279,933	122,227
1-2 years	7,330	37,417
More than 2 years	40,241	5,709
	14,661,437	14,060,100

The average credit period on purchases of goods is six months. The trade payables are non-interest-bearing and are normally settled on a term of to six months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

33. OTHER PAYABLES AND ACCRUALS

	2018 RMB'000	2017 RMB'000 (Restated)
Payables on property, plant and equipment	**4,271,983**	6,099,707
Retention payables	**2,421,027**	2,944,324
Accrued payroll and welfare (note (a))	**620,660**	384,692
Receipt in advance	**–**	710,110
Contract liabilities (note (b))	**720,185**	–
Dividend payables (note 15)	**5**	3,165,766
Interest payable	**1,778,752**	1,521,194
Other taxes payables	**1,507,955**	1,032,312
Others	**520,113**	489,705
	11,840,680	16,347,810

Notes:

(a) Included in the accrued payroll and welfare as at 31 December 2018 were accrued directors' emoluments of RMB5,020,000 (2017: RMB4,357,000). The amount is unsecured, non-interest bearing and repayable on demand.

(b) Contract liabilities

	31.12.2018 RMB'000	1.1.2018 * RMB'000
Sales of aluminum products	**720,185**	710,110

* The amounts in this column are after the adjustments from the application of IFRS 15.

Contract liabilities include advances received to deliver aluminum products.

Revenue recognised during the year ended 31 December 2018 that was included in the contract liabilities as at 1 January 2018 is RMB710,110,000. There was no revenue recognised in the current year that related to performance obligations that were satisfies in prior year.

34. BANK BORROWINGS

	2018 RMB'000	2017 RMB'000
Current		
Secured bank borrowings (note (iii))	**873,104**	763,677
Unsecured bank borrowings (note (i))	**18,060,631**	8,765,471
	18,933,735	9,529,148
Non-current		
Secured bank borrowings (note (iii))	**8,146,613**	8,152,406
Unsecured bank borrowings (note (i))	**3,117,190**	2,373,197
	11,263,803	10,525,603
	30,197,538	20,054,751

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2018 RMB'000	2017 RMB'000
Within one year	**18,933,735**	9,529,148
In the second year	**8,482,516**	2,721,117
In the third to fifth years, inclusive	**2,781,287**	7,804,486
	30,197,538	20,054,751

	2018 RMB'000	2017 RMB'000
Amounts shown under current liabilities	**18,933,735**	9,529,148
Amounts shown under non-current liabilities	**11,263,803**	10,525,603
	30,197,538	20,054,751

34. BANK BORROWINGS (Continued)

The exposure of the Group's fixed-rate bank borrowings and the contractual maturity dates (or reset dates) are as follows:

	2018 RMB'000	2017 RMB'000
Fixed-rate borrowings:		
Within one year	**4,723,090**	4,249,961

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

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2018	2017
Effective interest rate:		
Fixed-rate borrowings	**2.70% to 7.50%**	3.15% to 6.09%
Variable-rate borrowings	**4.35% to 6.09%**	3.90% to 6.09%

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	2018 RMB'000	2017 RMB'000
US$	**8,348,844**	6,316,266

Notes:

(i) Bank borrowings of approximately RMB299,000,000 (2017: RMB499,000,000) are guaranteed by a related party was set out in note 51.

(ii) As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2018 RMB'000	2017 RMB'000
Floating rate		
– expiring within one year	**1,361,216**	1,010,807

(iii) Secured borrowings of the Group are secured by the Group's property, plant and equipment (note 17).

35. OTHER BORROWING

	2018 RMB'000	2017 RMB'000
Other borrowing, unsecured	**1,366,569**	–

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreement):

	2018 RMB'000	2017 RMB'000
After one year but within two years	**1,366,569**	–

The interest rate of the other borrowing of US$200,000,000 (2017: nil) is fixed at 7.50% per annum.

36. SHORT-TERM DEBENTURES AND NOTES

	2018 RMB'000	2017 RMB'000
Short-term debentures and notes	**4,000,000**	3,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2017 and 2018 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures	3 January 2017	1,000,000	4.42%	5 January 2018
Short-term debentures	16 February 2017	1,000,000	4.46%	17 February 2018
Short-term debentures	22 February 2017	1,000,000	4.50%	23 February 2018
Short-term debentures	5 February 2018	1,000,000	6.00%	7 February 2019
Short-term debentures	14 March 2018	1,000,000	6.25%	16 March 2019
Short-term debentures	22 March 2018	1,000,000	6.20%	26 March 2019
Short-term debentures	2 April 2018	1,000,000	6.50%	4 April 2019

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

37. MEDIUM-TERM DEBENTURES AND BONDS

	2018 RMB'000	2017 RMB'000
Medium-term debentures and bonds – due within one year	**1,752,756**	7,196,185
Medium-term debentures and bonds – due after one year	**41,077,258**	36,271,871
	42,830,014	43,468,056

37. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2017 and 2018 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Nominal interest rate	Effective interest Rate	Date of maturity
Unlisted					
Medium-term debentures A	25 January 2013	1,500,000	6.30%	6.67%	25 January 2018
Medium-term debentures B	10 April 2013	1,500,000	5.80%	6.12%	10 April 2018
Medium-term debentures C	22 April 2015	1,500,000	5.60%	5.94%	22 April 2018
Medium-term debentures D	9 May 2013	1,500,000	6.00%	6.32%	9 May 2018
Medium-term debentures E	14 May 2015	1,200,000	5.20%	5.54%	14 May 2018
Medium-term debentures F	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures G	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Medium-term debentures H	25 October 2016	1,000,000	3.87%	4.21%	16 October 2021
Medium-term debentures I	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures J	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures K	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures L	17 January 2017	1,000,000	5.20%	5.55%	19 January 2022
Medium-term debentures M	2 March 2018	1,000,000	7.50%	7.85%	6 March 2021
Medium-term debentures N	18 April 2018	1,000,000	7.30%	7.65%	19 April 2021
Medium-term debentures O	20 April 2018	1,300,000	6.75%	7.09%	23 April 2021
Medium-term debentures P	25 April 2018	1,000,000	6.73%	7.07%	27 April 2021
Medium-term debentures Q	26 April 2018	1,000,000	6.90%	7.24%	27 April 2021
Medium-term debentures R	24 May 2018	1,000,000	7.47%	7.82%	25 May 2021
Medium-term debentures S	13 August 2018	1,000,000	7.40%	7.67%	16 August 2021
Medium-term debentures T	23 August 2018	500,000	7.47%	7.75%	27 August 2021
Listed					
Enterprise bonds A	3 March 2014	1,200,000	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,100,000	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	1,000,000	5.26%	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	2,000,000	4.10%	4.33%	14 January 2021
Enterprise bonds E	14 January 2016	1,000,000	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	1,800,000	4.50%	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,200,000	4.04%	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	4.27%	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	500,000	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	2,000,000	4.20%	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023
Private placement enterprise bond A	2 June 2016	1,758,000 (2017: 3,000,000)	6.05%	6.50%	2 June 2019
Private placement enterprise bond B	15 July 2016	3,000,000	6.48%	6.75%	15 July 2021

37. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Debentures A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S and T were issued to various independent third parties according to the approvals issued by NAFMII and enterprise bonds A, B and C were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange while enterprise bond D, E, F, G, H, I, J, K, private placement enterprise bond A and B were issued under the approval of China Securities Regulatory Commission.

According to the terms and conditions of private placement enterprise bonds A, the interest rate is 6.05% per annum for 2 years, up to 1 June 2018. At the end of the second year, on 2 June 2018, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of-300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year.On 30 May 2018, the Group has redeemed the private placement enterprises bonds A for RMB1,242,000,000 together with interest accrued up the that date.

According to the terms and conditions of private placement enterprise bonds B, the interest rate is 6.48% per annum for 3 years, up to 15 July 2019. At the end of the third year, on 14 July 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of-300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year.

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

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

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

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 4.10% per annum for the 3 years, up to 14 January 2019. At the end of the third year, on 14 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds E is 4.88% per annum for the five years, up to 14 January 2021, with no right to redeem the bonds or adjust the interest rate.

37. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 4.50% per annum for the 3 years, up to 27 January 2019. At the end of the third year, on 27 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds G, the interest rate of the enterprise bonds is 4.04% per annum for the 3 years, up to 24 February 2019. At the end of the third year, on 24 February 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

Enterprise bonds H and I are different categories of the same tranche, the interest rate of the enterprise bonds H is 4.27% per annum for the 3 years, up to 10 March 2019. At the end of the third year, on 10 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds I is 4.83% per annum for the five years, up to 10 March 2021, with no right to redeem the bonds or adjust the interest rate.

According to the terms and conditions of enterprise bonds J, the interest rate of the enterprise bonds is 4.20% per annum for the 3 years, up to 22 March 2019. At the end of the third year, on 22 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds K, the interest rate of the enterprise bonds is 4.00% per annum for the 5 years, up to 17 October 2021. At the end of the fifth year, on 17 October 2021, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

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

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

	2018 **RMB'000**	2017 RMB'000
Within one year	**1,752,756**	7,196,185
In the second to fifth year	**33,330,745**	28,535,271
Over five years	**7,746,513**	7,736,600
	42,830,014	43,468,056

38. GUARANTEED NOTES

	2018 RMB'000	2017 RMB'000
Current liabilities	**3,078,664**	1,957,399

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

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

Period	**Redemption price**
Prior to 3 May 2018	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date (notes i & ii)
Prior to 3 May 2018	106.875% of the principal amount, plus accrued and unpaid interest (note iii)
Note iv	101% of the principal amount, plus accrued and unpaid interest
Note v	100% of the principal amount, plus accrued and unpaid interest

Notes:

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

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

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

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

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

38. GUARANTEED NOTES (Continued)

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

On 3 May 2018, the Company has redeemed the 2018 Guaranteed Notes in full at their principal amount together with interest accrued to the maturity date.

On 17 April 2018, the Company issued 6.85% guaranteed notes with the aggregate principal amount of US$450,000,000 (equivalent to approximately RMB2,865,150,000) (the "2019 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2019 Guaranteed Notes will be mature on 22 April 2019. The 2019 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2019 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2019 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	**Redemption price**
Prior to 22 April 2019	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 April 2019	106.85% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2019 Guaranteed Notes on 22 April 2019, plus all required remaining scheduled interest payments due on the 2019 Guaranteed Notes through 22 April 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 22 April 2019, the Company may at its option redeem the 2019 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 22 April 2019, the Company may redeem up to 35% of the 2019 Guaranteed Notes, at a redemption price of 106.85% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2019 Guaranteed Notes on date of issuance is net of issue expenses of US$4,837,000 (equivalent to approximately RMB30,793,000) and the effective interest rate of the 2019 Guaranteed Notes is 9.06% per annum.

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

39. CONVERTIBLE BONDS

On 28 November 2017, the Company issued CBs bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US$320,000,000. The CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.16 per share with fixed exchange rate of HK$7.8212 equal to US$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all CBs outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the date that is three years from 28 November 2017, redeem the outstanding CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component is 21.817% per annum.

The movements of the liability and derivatives components of the CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of CBs RMB'000	**Derivatives component of CBs** RMB'000	**Total** RMB'000
As at 1 January 2017	–	–	–
Issued during the year	1,118,528	994,560	2,113,088
Transaction costs	(11,685)	–	(11,685)
Changes in fair values	–	18,231	18,231
Effective interest expenses	22,140	–	22,140
Interest paid	(9,690)	–	(9,690)
Exchange translation	(24,068)	(21,131)	(45,199)
At 31 December 2017 and 1 January 2018	**1,095,225**	**991,660**	**2,086,885**
Changes in fair values	**–**	**(397,683)**	**(397,683)**
Effective interest expenses	**193,010**	**–**	**193,010**
Interest paid	**(94,039)**	**–**	**(94,039)**
Conversion into shares of the Company (note 42(c))	**(248,367)**	**(224,881)**	**(473,248)**
Exchange translation	**66,223**	**46,099**	**112,322**
As at 31 December 2018	**1,012,052**	**415,195**	**1,427,247**

39. CONVERTIBLE BONDS (Continued)

On 25 January 2018, 70,544,156 (2017: nil) ordinary shares of the Company were issued as a result of the conversion of CBs with principal amount of US$73,600,000. No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the year ended 31 December 2018 (2017: nil).

On 7 February 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$8.16 to HK$7.71 per share and on 12 June 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was further adjusted from HK$7.71 to HK$7.53 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2018, the principal amount of the CBs that remained outstanding amounted to US$246,400,000 (2017: US$320,000,000) of which a maximum of 255,928,775 (2017: 306,713,725) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017 and 7 February 2018 and 13 July 2018.

At 31 December 2017 and 2018, the fair values of the derivatives component was valued by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of CBs were estimated at the date of issue and the end of reporting period, respectively using the Binomial model. The transaction cost attributable to the derivatives component of CBs of approximately RMB10,390,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2017. The changes in fair value of the derivatives component of CBs were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	At 31 December 2018	At 31 December 2017
Share price	**HK$4.45**	HK$8.75
Conversion price	**HK$7.53**	HK$8.16
Expected volatility	**55.54%**	48.07%
Expected life	**3.91 years**	4.91 years
Risk free rate	**2.45%**	2.20%
Expected dividend yield	**4.40%**	3.09%

40. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), before set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Deferred tax assets	**1,865,927**	1,784,856
Deferred tax liabilities	**(670,982)**	(505,397)
	1,194,945	1,279,459

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

	Decelerated tax depreciation RMB'000	Excess of accounting depreciation over tax depreciation RMB'000	Tax losses RMB'000	Income tax facility RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Unrealised profit on intra-group sales RMB'000	Deferred income RMB'000	Provisions RMB'000	Fair value change of derivative financial instruments RMB'000	Consideration receivables from disposal of a subsidiary RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employee benefits RMB'000	Total RMB'000
At 1 January 2017	-	1	298,724	-	(233,849)	222,102	30,186	5,015	423	-	(344,248)	871	(20,775)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	(35,220)	-	(35,220)
(Charged) credited to profit or loss	1,151,816	(1)	(149,257)	82,280	91,588	73,391	39,514	30,214	(423)	-	16,332	-	1,335,454
At 31 December 2017 and 1 January 2018	**1,151,816**	**-**	**149,467**	**82,280**	**(142,261)**	**295,493**	**69,700**	**35,229**	**-**	**-**	**(363,136)**	**871**	**1,279,459**
Credited (charged) to profit or loss	**(114,778)**	**-**	**36,573**	**14,053**	**(182,433)**	**68,988**	**67,420**	**(8,725)**	**-**	**14,481**	**16,848**	**3,059**	**(84,514)**
At 31 December 2018	**1,037,038**	**-**	**186,040**	**96,333**	**(324,694)**	**364,481**	**137,120**	**26,504**	**-**	**14,481**	**(346,288)**	**3,930**	**1,194,945**

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,533,230,000 (2017: RMB2,079,587,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB744,160,000 (2017: RMB597,868,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB3,789,070,000 (2017: RMB1,481,719,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB3,788,602,000 (2017: RMB1,175,198,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB468,000 (2017: RMB306,521,000) may be carried forward indefinitely.

Certain tax losses of approximately RMB115,132,000 (2017: nil) attributable to the Company and certain subsidiaries were disallowed by the Inland Revenue Department in the current year.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB36,294,907,000 (2017: RMB34,543,020,000). No liability has been recognised in respect of these differences 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.

41. DEFERRED INCOME

	2018 RMB'000	2017 RMB'000 (Restated)
Government grants		
– Current liabilities	**19,450**	16,571
– Non-current liabilities	**553,820**	287,021
	573,270	303,592

As at 31 December 2018, the Group received government subsidies of approximately RMB287,598,000 (2017: RMB169,977,000) towards certain environment protection and construction projects. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of plant and machineries. This policy has resulted in a credit to income in the current period of approximately RMB17,920,000 (2017: RMB12,159,000). As at 31 December 2018, balances of approximately RMB573,270,000 (2017: RMB303,592,000) remain to be amortised.

42. SHARE CAPITAL

	Number of shares		Share Capital	
	2018	2017	**2018** **US$**	2017 US$
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	2018	2017	2018 US$	2017 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**8,675,394,849**	8,057,888,193	**86,753,948**	80,578,882

42. SHARE CAPITAL (Continued)

	Number of shares	Share Capital RMB'000
Issued and fully paid:		
At 1 January 2017	7,259,766,023	474,057
Issue of shares upon share subscription (note (a))	806,640,670	53,454
Shares repurchased and cancelled	(8,518,500)	(545)
At 31 December 2017 and 1 January 2018	**8,057,888,193**	**526,966**
Issue of shares upon share subscription (note (b))	**650,000,000**	**41,710**
Issue of shares upon conversion of CBs (note (c))	**70,544,156**	**4,495**
Shares repurchased and cancelled	**(103,037,500)**	**(6,999)**
At 31 December 2018	**8,675,394,849**	**566,172**

Notes:

(a) On 24 November 2017, 806,640,670 ordinary shares of US$0.01 each were issued and allotted at a price of HK$6.8 per share, raising a total proceeds of approximately RMB4,667,964,000, net of share issue expense of approximately RMB1,440,000.

(b) On 22 January 2018, 650,000,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$9.6 per share, raising a total proceeds of approximately RMB5,060,159,000, net of share issue expense of approximately RMB60,822,000.

(c) During the year ended 31 December 2018, CBs with principal amount US$73,600,000 was converted into 70,544,156 ordinary shares of the Company at par at the conversion price of HK$8.16 per ordinary share.

The Company does not have any share option scheme.

All shares issued rank pari passu in all respects with all shares then in issue.

42. SHARE CAPITAL (Continued)

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid	Share cancelled date
		HK$	HK$	HK$	
25-Jun-18	1,660,000	6.90	6.66	11,311,000	11-Jul-18
26-Jun-18	2,690,500	7.11	6.60	18,605,000	11-Jul-18
27-Jun-18	2,054,000	7.15	6.83	14,276,000	11-Jul-18
28-Jun-18	3,968,000	7.30	6.87	27,948,000	11-Jul-18
29-Jun-18	2,988,000	7.40	7.10	21,987,000	11-Jul-18
3-Jul-18	2,330,000	7.50	6.99	17,084,000	16-Jul-18
4-Jul-18	3,705,000	7.45	7.23	27,298,000	16-Jul-18
5-Jul-18	3,570,000	7.40	7.12	26,125,000	16-Jul-18
6-Jul-18	2,496,000	7.60	7.32	18,796,000	16-Jul-18
9-Jul-18	1,920,000	7.72	7.56	14,750,000	24-Jul-18
10-Jul-18	1,594,000	7.84	7.67	12,355,000	24-Jul-18
11-Jul-18	1,870,000	7.75	7.59	14,381,000	24-Jul-18
12-Jul-18	5,138,500	7.70	7.55	39,090,000	24-Jul-18
13-Jul-18	6,923,500	8.00	7.65	54,354,000	24-Jul-18
31-Aug-18	1,000,000	6.65	6.57	6,618,000	17-Sep-18
3-Sep-18	622,500	6.65	6.60	4,133,000	17-Sep-18
4-Sep-18	168,000	6.70	6.65	1,124,000	17-Sep-18
5-Sep-18	1,793,000	6.82	6.79	12,198,000	17-Sep-18
6-Sep-18	2,482,500	6.85	6.80	16,987,000	17-Sep-18
7-Sep-18	3,622,000	6.87	6.83	24,846,000	17-Sep-18
10-Sep-18	6,390,000	6.87	6.75	43,849,000	24-Sep-18
11-Sep-18	9,952,000	6.80	6.74	67,557,000	24-Sep-18
12-Sep-18	10,500,000	6.80	6.72	71,164,000	24-Sep-18
13-Sep-18	4,000,000	6.88	6.79	27,424,000	24-Sep-18
14-Sep-18	19,600,000	6.10	5.75	115,318,000	24-Sep-18

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

43. RESERVES

(a) Capital reserve

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

(b) Statutory surplus reserve

In accordance with the Articles of Association of all subsidiaries established in the 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 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.

(c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(d) Investment revaluation reserve

As at 31 December 2018, the investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

44. 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which comprising the bank borrowings, other borrowing, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and CBs as disclosed in notes 34, 35, 36, 37, 38 and 39, and cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 42 to the financial statements, share premium and reserves in the consolidated statement of financial position.

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

45. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000 (Restated)
Financial assets		
Financial assets at amostised cost	**67,189,175**	–
Loan and receivables (including cash and cash equivalents)	**–**	48,222,019
Financial assets at FVTPL	**–**	57
Financial assets at FVTOCI		
– Equity instruments at FVTOCI	**908,170**	–
Available-for-sale investments	**–**	6,000
Financial liabilities		
Financial liabilities at FVTPL		
– Derivatives component of CBs	**415,195**	991,660
Other financial liabilities at amortised cost	**108,758,599**	100,240,919

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, loan and other receivables, restricted bank deposits, cash and cash equivalents, other financial assets, trade and bills payables, other payables and accruals, other financial liabilities, bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and liability component of CBs. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

45. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

(i) Currency risk

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

	Assets		Liabilities	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
US$	**1,331,603**	1,264,644	**17,884,350**	10,360,550
Hong Kong Dollar ("HK$")	**26,007**	24,151	**–**	–
IDR	**96,790**	73,926	**–**	–

Sensitivity analysis

The Group is mainly exposed to US$, HK$ and IDR.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against the relevant foreign currencies 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2017: 5%) against the relevant currency. For a 5% (2017: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2018 RMB'000	2017 RMB'000
Effect on post-tax profit:		
US$ (note (i))	**620,712**	365,531
HK$ (note (ii))	**(920)**	(1,008)
IDR (note (iii))	**(3,630)**	(2,772)

45. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

Notes:

(i) This is mainly attributable to the exposure outstanding on US$ of cash and cash equivalents, trade receivables, prepayments and other receivables, trade and other payables, bank borrowings and guaranteed notes at year end.

(ii) This is mainly attributable to the exposure outstanding on HK$ of cash and cash equivalents, prepayments and other receivables, trade and other payables at year end.

(iii) This is mainly attributable to the exposure outstanding on IRD of cash and cash equivalents, prepayments and other receivables, trade and other payables at year end.

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

(ii) Interest rate risk

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

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

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period was outstanding for the whole year. A 25 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

45. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis (Continued)

If interest rates had been 25 basis points higher/lower and all other variables were held constant:

	2018 **RMB'000**	2017 RMB'000 (Restated)
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(50,597)**	(10,574)
As a result of decrease in interest rate	**50,597**	10,574

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.

(iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is mainly concentrated on equity instrument operating in consultancy service industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective equity instrument had been 10% (2017: nil) higher/lower, other comprehensive income for the year ended 31 December 2018 would increase/decrease by approximately RMB90,817,000 (2017: nil) as a result of the changes in financial assets at FVTOCI.

45. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk

As at 31 December 2018, 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 as stated in the consolidated statement of financial position

The credit risk of our Group mainly arises from loans to associates, trade receivables, bills receivables, loan and other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

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.

As at 31 December 2017, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 January 2018, for trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered loans to associates to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

45. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

		Basis for recognising ECL	
Category	**Description**	**Trade receivables**	**Other financial assets**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

45. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 December 2018

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables (note 1)	Performing	Lifetime ECL (simplified approach)	6,750,578	–	6,750,578
Trade receivables	Default	Lifetime ECL – credit impaired	6,725	(6,725)	–
Bills receivables (note 2)	Performing	12-month ECL	11,726,626	–	11,726,626
Other receivables	Performing	12-month ECL	1,765,654	–	1,765,654
Other receivables	Doubtful	Lifetime ECL – not credit impaired	324,166	(14,736)	309,430
Other receivables	Default	Lifetime ECL – credit impaired	23,722	(23,722)	–
				(45,183)	

Notes:

1. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.

2. The credit risk on bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the impairment provision recognised during the year was limited to 12-month ECL.

45. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 17% (2017: 19%) and 44% (2017: 48%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivable from bank represented 21% (2017: 23%) of the total bills receivables as at 31 December 2018. In addition, the Group's bills receivables from the top five major banks represented 41% (2017: 46%) of the total bills receivables as at 31 December 2018.

The credit risk on bank balances and restricted bank 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.

(e) Liquidity risk management

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

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

45. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

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

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2018							
Fixed-rate bank borrowings	3,827,181	2,627,440	6,999,171	404,125	14,427	13,872,345	13,096,540
Floating-rate bank borrowings	7,529,188	6,116,350	834,603	2,323,666	1,698,215	18,502,022	17,100,998
Fixed-rate other borrowing	50,825	51,668	1,442,667	–	–	1,545,160	1,366,569
Short-term debentures and notes	4,050,267	–	–	–	–	4,050,267	4,000,000
Medium-term debentures and bonds	1,080,872	1,098,787	3,666,988	41,552,461	–	47,399,108	42,830,014
Trade and bills payables	16,661,437	–	–	–	–	16,661,437	16,661,437
Other payables	9,612,324	–	–	–	–	9,612,324	9,612,324
Guaranteed notes	3,151,464	–	–	–	–	3,151,464	3,078,664
CBs	40,343	41,011	81,354	1,782,430	–	1,945,138	1,012,052
	46,003,901	9,935,256	13,024,783	46,062,682	1,712,642	116,739,264	108,758,599

45. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017 (Restated)							
Fixed-rate bank borrowings	2,857,624	1,490,293	–	–	–	4,347,917	4,266,446
Floating-rate bank borrowings	2,649,255	2,809,104	2,845,205	6,898,760	2,406,047	17,608,371	15,788,305
Short-term debentures and notes	3,013,128	–	–	–	–	3,013,128	3,000,000
Medium-term debentures and bonds	8,201,970	905,940	4,691,691	28,627,804	8,048,745	50,476,150	43,468,056
Trade and bills payables	16,060,100	–	–	–	–	16,060,100	16,060,100
Other payables	14,605,388	–	–	–	–	14,605,388	14,605,388
Guaranteed notes	2,007,956	–	–	–	–	2,007,956	1,957,399
CBs	52,393	53,261	105,654	2,420,209	–	2,631,517	1,095,225
	49,447,814	5,258,598	7,642,550	37,946,773	10,454,792	110,750,527	100,240,919
Derivatives – gross settlement							
Currency swaps							
– inflow	65,342	–	–	–	–	–	N/A
– outflow	(65,527)	–	–	–	–	–	N/A
	(185)	–	–	–	–	–	57

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

For the year ended 31 December 2017, bank borrowing which breached a loan covenant and is repayable in accordance with a revised repayment schedule is included in the "6 to 12 months" time band in the above maturity analysis.

45. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurements of financial instruments

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTOCI				
Listed equity instrument	**908,170**	**–**	**–**	**908,170**
Financial liabilities at FVTPL				
– Derivatives component of CBs	**–**	**415,195**	**–**	**415,195**

	31 December 2017			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Derivative financial assets				
– Foreign currency swap contracts	–	57	–	57
Financial liabilities at FVTPL				
– Derivatives component of CBs	–	991,660	–	991,660

There were no transfers between levels of fair value hierarchy in the current and prior years.

45. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 31/12/2018 RMB'000	31/12/2017 RMB'000	Valuation technique and key inputs
Financial asset at FVTOCI	Level 1	**908,170**	–	Quoted bid prices in an active market
Foreign currency swap contracts	Level 2	**–**	57	Discounted cash flows – Based on forward exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties)
Redemption option derivative of CBs	Level 3	**161,740**	80,880	Binomial option pricing model: Key inputs: risk free rate of 2.45% (2017: 2.20%), and effective interest rate of 8.97% (2017: 8.69%) and volatility of 55.54% (2017: 48.07%)
Conversion option derivative of CBs	Level 3	**253,455**	910,780	Binomial option pricing model: Key inputs: risk free rate of 2.45% (2017: 2.20%), and effective interest rate of 8.97% (2017: 8.69%) and volatility of 55.54% (2017: 48.07%)

45. FINANCIAL INSTRUMENTS (Continued)

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

Fair value measurements and valuation process

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

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

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, bills receivables, financial assets included in loans and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, bank borrowings due within one year, short-term debentures and notes and guaranteed notes due within one year approximate to their carrying amounts largely due to the short term maturities of these instruments. Except as detailed in the following table, the directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2018		31 December 2017	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000 (Restated)	Fair value RMB'000 (Restated)
Financial liabilities				
Listed				
Medium-term bonds due after one year	**25,889,594**	**25,774,590**	28,847,057	29,247,217
Unlisted				
Medium-term bonds due after one year	**15,187,663**	**15,104,037**	7,424,814	7,259,213
Bank borrowings – due after one year	**11,263,803**	**11,161,195**	10,525,603	10,556,645
Other borrowing – due after one year	**1,366,569**	**1,314,795**	–	–
Liability component of CBs	**1,012,052**	**1,002,270**	1,095,225	1,068,286

45. FINANCIAL INSTRUMENTS (Continued)

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

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

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

	As at 31 December 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	25,774,590	–	–	25,774,590
Medium-term bonds due after one year – unlisted	–	15,104,037	–	15,104,037
Bank borrowings – due after one year	–	11,161,195	–	11,161,195
Other borrowing – due after one year		1,314,795		1,314,795
Liability component of CBs	–	1,002,270	–	1,002,270
	25,774,590	28,582,297	–	54,356,887

	As at 31 December 2017 (Restated)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	29,247,217	–	–	29,247,217
Medium-term bonds due after one year – unlisted	–	7,259,213	–	7,259,213
Bank borrowings – due after one year	–	10,556,645	–	10,556,645
Liability component of CBs	–	1,068,286	–	1,068,286
	29,247,217	18,884,144	–	48,131,361

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

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

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

46. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2017

(a) Hongchuang

On 21 April 2017, the Group acquired 28.18% of the equity interest in Hongchuang for a consideration of RMB1,999,618,000. Despite that the Group acquired only 28.18% of the equity interest of Hongchuang, the Group remains the sole substantial shareholder of Hongchuang. This acquisition has been accounted for using the acquisition method. Hongchuang is engaged in aluminum plate and strip manufacture business. Hongchuang was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration transferred	RMB'000
Cash	1,999,618

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

	RMB'000
Property, plant and equipment	191,942
Investment properties	156,472
Intangible assets	14,970
Prepaid lease payments	270,348
Available-for-sale investments	6,000
Cash and cash equivalents	531,908
Trade receivables	262,160
Prepayment and other receivables	12,568
Inventories	91,882
Trade payables	(56,558)
Other payables and accruals	(8,892)
Bank borrowings	(100,000)
Deferred tax liabilities	(35,220)
	1,337,580

Acquisition-related costs amounting to approximately RMB1,259,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The non-controlling interest (71.82%) in Hongchuang recognised at the acquisition date was measured by proportionate share of net assets acquired and amounted to approximately RMB960,650,000.

46. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2017 (Continued)

(a) Hongchuang (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	1,999,618
Non-controlling interests	960,650
Less: net assets acquired	(1,337,580)
Goodwill arising on acquisition	1,622,688

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

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Hongchuang:

	RMB'000
Cash consideration paid	1,999,618
Less: cash and cash equivalent balances acquired	(531,908)
Less: deposits paid	(899,515)
Net cash outflow arising on acquisition	568,195

Included in the profit for the year is a profit of approximately RMB19,678,000, attributable to the additional business generated by Hongchuang. Revenue for the year ended 31 December 2017 includes approximately RMB1,004,079,000 generated from Hongchuang.

Had the acquisition been completed on 1 January 2017, total revenue of the Group for the year ended 31 December 2017 would have been approximately RMB93,746,414,000 and profit for the year would have been approximately RMB5,326,585,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

46. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2017 (Continued)

(a) Hongchuang (Continued)

In determining the "pro-forma" revenue and profit of the Group had Hongchuang been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of property, plant and equipment and investment property and amortisation of intangible assets and prepaid lease payments acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

On 17 April 2017, the Group and Hongchuang entered into a termination agreement, pursuant to which the Group terminate the share subscription agreement signed on 5 December 2016 in relation to the subscription of no more than 1,605,136,436 non-public A shares of Loften. In addition, Loften, Binzhou Hengwang and four independent individuals entered into a termination agreement in order to terminate the equity transfer agreement signed on 5 December 2016 in relation to acquisition of the entire equity interest in Shandong Innovative Metal Technology Company Limited. Further details are set out in the announcements of the Company dated 23 December 2016, 27 February 2017 and 31 March 2017.

47. DISPOSAL OF A SUBSIDIARY

On 30 June 2018, 濱州市沾化區匯宏新材料有限公司 ("Zhanhua Huihong New Material"), an indirect wholly-owned subsidiary of the Company, disposed of the entire issued share capital of 濱州市沾化區茂宏新材料有限公司 ("Zhanhua Maohong New Material"), a company directly wholly-owned by Zhanhua Huihong New Material, to an independent third party at a cash consideration of RMB2,950,000,000. RMB1,475,000,000 of the consideration was received during current year. The remaining balances of RMB590,000,000 and RMB885,000,000 will be settled on 30 June 2019 and 31 December 2019 respectively. The remaining balance in aggregate of RMB1,475,000,000 is guaranteed by the acquirer's associated company which also is one of the major suppliers of the Group. The fair value of the consideration is assessed at net present value and discounted by weighted averaged borrowing costs of the Group.

47. DISPOSAL OF A SUBSIDIARY (Continued)

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,182,302
Other receivables	298,828
Cash and cash equivalents	1,000
Net assets disposed of	3,482,130

Loss on disposal of a subsidiary

	RMB'000
Consideration received and receivable	2,833,358
Net assets disposed of	(3,482,130)
Loss on disposal of a subsidiary	(648,772)

Consideration of the disposal

	RMB'000
Consideration of the disposal	2,833,358
Imputed interest on unsettled consideration (note 8)	58,716
Less: cash consideration received during the year	(1,475,000)
Consideration receivable (included in other receivables)	1,417,074
Analysed for reporting purposes as:	
Current assets	1,417,074

Net cash inflow arising on disposal

	RMB'000
Cash consideration received	1,475,000
Less: cash and cash equivalents disposed of	(1,000)
	1,474,000

48. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and borrowings 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:

	2018 RMB'000	2017 RMB'000
Restricted bank deposits (note 30)	**1,256,474**	1,262,589
Property, plant and equipment (note 17)	**9,282,147**	9,307,202

49. OPERATING LEASES

The Group as lessee

	2018 RMB'000	2017 RMB'000
Minimum lease payments paid under operating leases for premises	**11,621**	13,550

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:

	2018 RMB'000	2017 RMB'000
Within one year	**8,672**	5,741
In the second to fifth year inclusive	**20,986**	2,152
Over five years	**48,958**	–
	78,616	7,893

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 to twenty five years and rentals are fixed for an average term of two years to twenty five years.

49. OPERATING LEASES (Continued)

The Group as lessor

Rental income earned during the year was RMB15,976,000 (2017: RMB5,011,000). The property are expected to generate rental yields of 10.5% (2017: 4.8%) on an ongoing basis. All of the properties held have committed tenants for an average term of two to five years (2017: two years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018 **RMB'000**	2017 RMB'000
Within one year	**12,083**	8,654
In the second to fifth year inclusive	**13,714**	8,654
	25,797	17,308

50. COMMITMENTS

	2018 **RMB'000**	2017 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**794,563**	1,014,242

51. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group has the following related parties transactions.

(a) During the reporting period, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
山東魏橋創業集團有限公司 (“Weiqiao Chuangye”) (note i)	note iii
濱州魏橋科技工業園有限公司 (“Binzhou Industrial Park”) (note i)	Controlled by Weiqiao Chuangye
山東銘宏紡織科技有限公司 (“Ming Hong Textile”) (note i)	Controlled by Weiqiao Chuangye
鄒平魏橋再生資源利用有限公司 (“Zouping Weiqiao”) (note i)	Controlled by Weiqiao Chuangye
凱斯曼秦皇島汽車零部件製造有限公司 (“Caseman”)	Controlled by CITIC Group Corporation (note ii)
中信信託有限責任公司(“中信信託”)	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank International (“CITIC Bank”)	Controlled by CITIC Group Corporation (note ii)
中信銀行股份有限公司 (“中信銀行”)	Controlled by CITIC Group Corporation (note ii)
濱州市公建投資開發有限公司 (“濱州投資”)	Controlled by Weiqiao Chuangye
濱州市北海魏橋固廢處置有限公司 (“濱州固廢處置”)	Controlled by Weiqiao Chuangye
山東瑞信招標有限公司(“山東瑞信”)	Controlled by Weiqiao Chuangye
沾化金沙供水有限公司 (“Jinsha Water Supply”) (note i)	An associate of Weiqiao Chuangye
山東創新炭材料有限公司(“創新炭材料”)	An associate of a wholly-owned subsidiary of the Company
ABM	An associate of a wholly-owned subsidiary of the Company
GTS	An associate of a wholly-owned subsidiary of the Company
WAP	An associate of a wholly-owned subsidiary of the Company
SMB	An associate of a wholly-owned subsidiary of the Company

Notes:

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

ii. CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 shares of the Company, representing 10.04% of the total issued shares of the Company, are both indirect subsidiaries of CITIC Group Corporation and therefore CITIC Group Corporation is a connected person of the Group.

iii. Mr. Zhang Shiping, the director and the controlling shareholder of the Company, has a significant non-controlling beneficial interest in Weiqiao Chuangye, and is also the director of Weiqiao Chuangye.

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

During the year, the Group entered into the following transactions with related parties:

	Notes	2018 RMB'000	2017 RMB'000
Purchases of water			
Jinsha Water Supply	(b)	**14,269**	29,679
Purchases of bauxite			
ABM	(a)	**685,170**	2,796,270
GTS	(a)	**9,360,681**	–
Sales of steam			
Binzhou Industrial Park	(b)	**22,794**	24,310
Ming Hong Textile	(b)	**4,682**	1,961
濱州投資	(a)	**19,845**	–
Sales of electricity			
創新炭材料	(a)	**3,542**	–
濱州固廢處置	(a)	**91**	–
Sales of molten aluminum alloy			
Caseman	(b)	**1,848,553**	–
Legal and professional fee			
山東瑞信	(a)	**5,004**	–
Sales of raw materials			
Zouping Weiqiao	(a)	**129**	–
Rental expenses			
Weiqiao Chuangye	(a)	**2,375**	–
Bank interest income			
中信銀行	(a)	**479**	–
Interest expenses on bank borrowings			
CITIC Bank	(a)	**67,582**	–
中信銀行	(a)	**171,698**	–
Investment and wealth management service			
中信信託	(b), (c)	**–**	–

Notes:

(a) The related party transactions in respect of (a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(b) The related party transactions in respect of (b) above constitute connected transactions and the disclosures required by Chapter 14A of the Listing Rules are provided in the 'Report of the Directors' section to the annual report.

(c) An investment and wealth management cooperation framework agreement was entered on 3 December 2018 and no transaction incurred during the period from 3 December 2018 to 31 December 2018.

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The following balances were outstanding at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Bank balances		
CITIC Bank (note i)	**93,963**	–
中信銀行(note ii)	**78,119**	–
Bank borrowings		
CITIC Bank (notes iii and v)	**2,335,191**	–
中信銀行 (notes iv and v)	**7,180,666**	–
Loans to associate		
ABM	**754,952**	716,394
Trade payables		
ABM	**–**	272,611
GTS	**264,647**	–
Jinsha Water Supply	**424**	1,197
Trade receivables		
濱州投資	**4,563**	–
Ming Hong Textile	**102**	–
Zouping Weiqiao	**129**	–
Prepayment		
Jinsha Water Supply	**7,837**	–
Contract liabilities		
Caseman	**17,143**	–

Notes:

i. The bank balances of CITIC Bank were interest free.

ii. The bank balances of 中信銀行 were interest bearing at normal interest rate of 0.3% per annum.

iii. The bank borrowings of CITIC Bank were interest bearing at normal interest rates range from 5.9% to 6.5% per annum.

iv. The bank borrowing of 中信銀行 was interest bearing at normal interest rate of 4.32% to 5.25% per annum.

v. The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are fully exempt from the disclosure requirements in Chapter 14A.90 of the Listing Rules as the transaction terms are in normal commercial terms and are not secured by assets of the Group.

51. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

	2018 RMB'000	2017 RMB'000
Short term employee benefit	**5,803**	6,875
Retirement benefits scheme contributions	**68**	65
	5,871	6,940

Further details of the directors' and chief executive's emoluments are included in note 12 to the consolidated financial statements.

(c) Guarantees and security

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

	2018 RMB'000	2017 RMB'000
Weiqiao Chuangye	**299,000**	499,000

52. RETIREMENT BENEFIT SCHEME

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 December 2018, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB142,263,000 (2017: RMB153,736,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

53. LITIGATION

In prior years, a lawsuit was filed by a total of 115 engineering staff against Beihai Xinhe in respect of a dispute in the labor service fee between the 115 engineering staff and Beihai Xinhe. Beihai Xinhe had no direct relationship with those individuals but acted as the main contractor for a construction project. In 2016, Beihai Xinhe received a civil order issued by the Zhang Yuan Xian District Court, which accepted the application by the 115 engineering staff for property attachment prior to lawsuit to freeze Beihai Xinhe's bank accounts in an aggregate amount of approximately RMB15,560,000. In connection with the lawsuit, five of Beihai Xinhe's bank accounts with an aggregate amount of approximately RMB5,564,000 was frozen as at 31 December 2017. On 24 October 2018, the Higher People's Court of Henan Xinxiang (the "the Higher People's Court") ordered The No. 4 Metallurgical Construction Company of China Limited to settle the labour service fee of the 115 engineering staff. As at 31 December 2018, the directors of the Company considered that no provision was required be made in the consolidated financial statements after the consideration of the Higher People's Court order issued on 24 October 2018 and the legal opinion obtained from the Company's legal counsel (2017: nil).

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	1 January 2018 RMB'000	Financing cash flows RMB'000	Issue of shares upon conversion of CBs RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2018 RMB'000
Bank borrowings	20,054,751	10,070,407	–	–	72,380	–	30,197,538
Other borrowing	–	1,366,569	–	–	–	–	1,366,569
Liability component of CBs	1,095,225	–	(248,367)	98,971	66,223	–	1,012,052
Derivatives component of CBs	991,660	–	(224,881)	–	46,099	(397,683)	415,195
Short-term debentures and notes	3,000,000	953,965	–	46,035	–	–	4,000,000
Medium-term debentures and bonds	43,468,056	(731,768)	–	93,726	–	–	42,830,014
Guaranteed notes	1,957,399	989,278	–	17,500	114,487	–	3,078,664
Interest payable	1,521,194	(3,919,599)	–	4,177,157	–	–	1,778,752
	72,088,285	8,728,852	(473,248)	4,433,389	299,189	(397,683)	84,678,784

			Non-cash changes					
	1 January 2017 (Restated) RMB'000	Financing cash flows RMB'000	Acquisition of subsidiaries RMB'000	Finance costs incurred RMB'000	Transaction cost allocated to derivatives component of CBs RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2017 (Restated) RMB'000
Bank borrowings	19,007,713	1,103,204	100,000	–	–	(156,166)	–	20,054,751
Liability component of CBs	–	1,106,843	–	12,450	–	(24,068)	–	1,095,225
Derivatives component of CBs	–	984,170	–	–	10,390	(21,131)	18,231	991,660
Short-term debentures and notes	11,000,000	(8,015,864)	–	15,864	–	–	–	3,000,000
Medium-term debentures and bonds	40,451,724	2,998,481	–	17,851	–	–	–	43,468,056
Guaranteed notes	4,838,872	(2,877,945)	–	(3,528)	–	–	–	1,957,399
Interest payable	1,442,886	(3,993,894)	–	4,072,202	–	–	–	1,521,194
	76,741,195	(8,695,005)	100,000	4,114,839	10,390	(201,365)	18,231	72,088,285

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

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment		**644**	270
Investment in subsidiaries		**11,199,239**	10,720,309
Other receivables		**754,952**	–
Amounts due from subsidiaries	(i)	**16,916,448**	15,983,017
Financial assets at fair value through other comprehensive income		**908,170**	–
		29,779,453	26,703,596
Current assets			
Trade receivables		**314,549**	–
Prepayment and other receivables		**1,494**	4,495
Amounts due from subsidiaries	(i)	**–**	424,723
Other financial assets		**–**	57
Cash and cash equivalents		**121,757**	118,334
		437,800	547,609
Current liabilities			
Trade payables		**9,030**	–
Other payables		**65,454**	3,211,614
Amounts due to subsidiaries	(i)	**–**	2,176,191
Bank borrowings – due within one year		**2,603,767**	196,026
Income tax payable		**22,959**	–
Guaranteed notes		**3,078,664**	1,957,399
		5,779,874	7,541,230
Net current liabilities		**(5,342,074)**	(6,993,621)
Total assets less current liabilities		**24,437,379**	19,709,975
Non-current liabilities			
Bank borrowings – due after one year		**2,417,190**	2,356,713
Other borrowing – due after one year		**1,366,569**	–
Convertible bonds		**1,012,052**	1,095,225
Derivative component of convertible bonds		**415,195**	991,660
		5,211,006	4,443,598
Net assets		**19,226,373**	15,266,377
Capital and reserves			
Share capital		**566,172**	526,966
Reserves	(ii)	**18,660,201**	14,739,411
Total equity		**19,226,373**	15,266,377

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

Notes:

(i) The amounts due from subsidiaries are unsecured, interest-free and repayable after one year. The fair value is estimated at RMB16,916,448,000 (2017: RMB15,983,017,000) by using the effective interest rate of 4.9% per annum.

(ii) Movement in reserves

	Share premium RMB'000	Share reserve* RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	10,393,143	3,193,854	(97,096)	13,489,901
Loss and total comprehensive expenses for the year	–	–	(99,982)	(99,982)
Shares issued	4,615,950	–	–	4,615,950
Shares issue expenses	(1,440)	–	–	(1,440)
Dividend paid	–	–	(3,203,523)	(3,203,523)
Share repurchase and cancelled	(61,495)	–	–	(61,495)
At 31 December 2017 and 1 January 2018	**14,946,158**	**3,193,854**	**(3,400,601)**	**14,739,411**
Profit and total comprehensive income for the year	**–**	**–**	**734,591**	**734,591**
Issue of shares	**5,079,271**	**–**	**–**	**5,079,271**
Transaction costs attributable to issue of shares	**(60,822)**	**–**	**–**	**(60,822)**
Issue of shares upon conversion of convertible bonds	**468,753**	**–**	**–**	**468,753**
Dividend paid	**–**	**–**	**(1,697,064)**	**(1,697,064)**
Share repurchased and cancelled	**(603,939)**	**–**	**–**	**(603,939)**
At 31 December 2018	**19,829,421**	**3,193,854**	**(4,363,074)**	**18,660,201**

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

56. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2018 %	2017 %	2018 %	2017 %	2018 %	2017 %	
China Hongqiao Investment Limited	British Virgin Islands ("BVI")	Ordinary Shares	US$200	100	100	-	–	100	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK$10,100	-	–	100	100	100	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	61	61	-	–	61	61	Manufacture and sale of alumina
Hongqiao International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	-	–	100	100	100	100	Trading of bauxite
Shandong Hongqiao	PRC	Ordinary Shares	US$1,533,120,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
鄒平縣宏利熱電有限公司 Zouping Hongli Thermal Power Co., Ltd.*	PRC	Ordinary Shares	RMB1,817,065,373	-	–	100	100	100	100	Production and sale of electricity
鄒平縣宏茂新材料科技有限公司 Zouping Hongmao New Material Technology Co., Ltd.*	PRC	Ordinary Shares	RMB1,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
鄒平縣宏正新材料科技有限公司 Zouping Hongzheng New Material Technology Co., Ltd.*	PRC	Ordinary Shares	RMB700,000,0000	-	–	100	100	100	100	Manufacture and sale of aluminum products
山東魏橋鋁電有限公司 Shandong Weiqiao Aluminum & Power Co., Ltd. ("Shandong Weiqiao")*	PRC	Ordinary Shares	RMB13,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
鄒平縣宏旭熱電有限公司 Zouping Hongxu Power Co., Ltd.*	PRC	Ordinary Shares	RMB8,200,000,000	-	–	100	100	100	100	Production and sale of electricity
鄒平縣匯聚新材料科技有限公司 Zouping Huiju New Material Technology Co., Ltd.*	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products

56. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2018 %	2017 %	2018 %	2017 %	2018 %	2017 %	
鄒平縣匯才新材料科技有限公司 Zouping Huicai New Material Technology Co., Ltd.*	PRC	Ordinary Shares	RMB3,700,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
鄒平縣匯盛新材料科技有限公司 Zouping Huisheng New Material Technology Co., Ltd.	PRC	Ordinary Shares	RMB5,900,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
鄒平縣匯茂新材料科技有限公司 Zouping Huimao New Mateiral Technology Co., Ltd.	PRC	Ordinary Shares	RMB5,500,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
惠民縣匯宏新材料有限公司 Huimin Huihong New Aluminum *	PRC	Ordinary Shares	RMB5,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zhanhua Huihong New Material	PRC	Ordinary Shares	RMB3,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
陽信縣匯宏新材料有限公司 Yangxin Country New Aluminum Profiles Co., Ltd.*	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
濱州北海匯宏新材料有限公司 Binzhou Beihai New Aluminum Profiles Co., Ltd. *	PRC	Ordinary Shares	RMB3,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
濱州市宏諾新材料有限公司 (formerly known as 濱州市濱北新材料有限公司) (Binzhou Hongnuo New Material Co. Ltd. ("Binzhou Hongnuo ") *	PRC	Ordinary Shares	RMB1,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
山東宏橋融資租賃有限公司 Shandong Hongqiao Financial Leasing Co., Ltd. ("Hongqiao Financial Leasing")*	PRC	Ordinary Shares	US$200,000,000	-	–	100	100	100	100	Financial leasing

56. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2018 %	2017 %	2018 %	2017 %	2018 %	2017 %	
山東宏帆實業有限公司 Shandong Hongfan Industrial Co., Ltd.*	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
濱州宏展鋁業科技有限公司 Binzhou Hongzhan Aluminum Technology Co., Ltd.*	PRC	Ordinary Shares	RMB200,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
鄒平宏發鋁業科技有限公司 Zouping Hongfa Aluminum Technology Co., Ltd.*	PRC	Ordinary Shares	RMB700,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
山東宏濱國際商貿有限公司 Shandong Hongbin-International Business Co., Ltd.*	PRC	Ordinary Shares	RMB30,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
濱州市北海信和新材料有限公司 (formerly known as 濱州北海新材料有限公司)) Binzhou Municipal Beihai Xinhe New Material Co., Ltd.*	PRC	Ordinary Shares	RMB2,100,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
山東宏創鋁業控股股份有限公司 ("Shandong Hongchuang") (Note ii)	PRC	Ordinary Shares	RMB926,400,000	-	–	28.18	28.18	28.18	28.18	Manufacture and sale of aluminum products
重慶魏橋金融保理有限公司 (Note i, note 2 and note 57)	PRC	Ordinary Shares	RMB500,000,000	-	–	55	–	55	–	Provision of financing

For identification purpose only.

Notes:

i: New subsidiary acquired under common control during the year.

ii: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 28.18% equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

56. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB46,830,014,000 (2017: RMB46,468,056,000) of debt securities at the end of the year:

	Total and held by third parties	
	2018 **RMB'000**	2017 RMB'000
Shandong Hongqiao	**32,117,123**	28,777,053
Shandong Weiqiao	**14,712,891**	17,691,003

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2018	2017
Sales of aluminum products	The PRC	**4**	4
Sales of scrap materials	The PRC	**1**	1
Capital investor	The PRC	**1**	1
Various trading business	The PRC	**2**	1
Energy enhancement solution services	The PRC	**2**	–
Delivery service	The PRC	**1**	–
Sales of alumina	Singapore	**3**	–
		14	7

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		(Loss) profit attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Hongchuang and its subsidiaries	PRC	**71.82%**	71.82%	**71.82%**	71.82%	**(3,228)**	14,133	**971,555**	974,783

56. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Hongchuang and its subsidiaries

	2018 RMB'000	2017 RMB'000
Current assets	**726,338**	816,858
Non-current assets	**1,016,662**	714,471
Current liabilities	**(361,843)**	(142,278)
Non-current liabilities	**(28,394)**	(31,793)
Equity attributable to owners of the Company	**381,208**	382,475
Non-controlling interest	**971,555**	974,783
Revenue	**1,521,143**	1,004,079
Expenses	**(1,525,638)**	(984,401)
(Loss) profit for the year	**(4,495)**	19,678
(Loss) profit attributable to owners of the Company	**(1,267)**	5,545
(Loss) profit attributable to the non-controlling interest	**(3,228)**	14,133
(Loss) profit for the year	**(4,495)**	19,678
Other comprehensive expense attributable to owners of the Company	**–**	–
Other comprehensive expense attributable to the non-controlling interest	**–**	–
Other comprehensive expense for the year	**–**	–
Total comprehensive (expense) income attributable to owners of the Company	**(1,267)**	5,545
Total comprehensive (expense) income attributable to the non-controlling interest	**(3,228)**	14,133
Total comprehensive (expense) income for the year	**(4,495)**	19,678
Net cash inflows (outflows) from operating activities	**20,349**	(85,874)
Net cash (outflows) inflows from investing activities	**(212,286)**	329,536
Net cash outflows from financing activities	**(46,448)**	(163,035)
Net cash (outflows) inflows	**(238,385)**	80,627

57. BUSINESS COMBINATION UNDER COMMON CONTROL

As mentioned in note 2, the acquisition of Chongqing Weiqiao has been accounted for business combination under common control. Accordingly, the assets and liabilities of Chongqing Weiqiao acquired by the Group have been accounted for at historical cost and the consolidated financial statements of the Group for period prior to the combination have been restated to include the consolidated financial position and results of operation of Chongqing Weiqiao on a combined basis. The details of the audited and restated balances are as follows:

The summarised results of operations for the year ended 31 December 2017 and the financial position as at 31 December 2017 and 1 January 2017 are set out below:

	The Group RMB'000 (as previously reported)	**Chongqing Weiqiao** RMB'000	**Inter-company eliminations** RMB'000	**The Group** RMB'000 (Restated)
Results of operations for the year ended 31 December 2017				
Revenue	93,312,652	–	–	93,312,652
Cost of sales	(78,428,941)	–	–	(78,428,941)
Gross profit	14,883,711	–	–	14,883,711
Other income and gains	3,945,187	48,942	–	3,994,129
Selling and distribution expenses	(269,603)	(612)	–	(270,215)
Administrative expenses	(2,062,327)	(20,882)	–	(2,083,209)
Other expenses	(5,676,945)	(1,931)	–	(5,678,876)
Finance costs	(4,080,113)	(829)	–	(4,080,942)
Changes in fair value of derivatives	(19,897)	–	–	(19,897)
Share of profits of associates	371,989	–	–	371,989
Profit before taxation	7,092,002	24,688	–	7,116,690
Income tax expenses	(1,785,170)	(3,783)	–	(1,788,953)
Profit for the year	5,306,832	20,905	–	5,327,737
Attributable to:				
Owners of the Company	5,118,566	11,498	–	5,130,064
Non-controlling interests	188,266	9,407	–	197,673
	5,306,832	20,905	–	5,327,737

57. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

	The Group RMB'000 (as previously reported)	Chongqing Weiqiao RMB'000	Inter-company eliminations RMB'000	The Group RMB'000 (Restated)
Results of operations for the year ended 31 December 2017 (Continued)				
Other comprehensive income for the year				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translating foreign operations	(102,409)	–	–	(102,409)
Share of other comprehensive expense of associates	(38,910)	–	–	(38,910)
	(141,319)	–	–	(141,319)
Total comprehensive income for the year, net of income tax	5,165,513	20,905	–	5,186,418
Total comprehensive income for the year attributable to				
Owners of the Company	5,032,617	11,498	–	5,044,115
Non-controlling interests	132,896	9,407	–	142,303
	5,165,513	20,905	–	5,186,418
Earnings per share				
– Basic (RMB)	0.6970	0.0016	–	0.6986
– Diluted (RMB)	0.6966	(0.0014)	–	0.6952

57. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

	The Group RMB'000 (as previously reported)	Chongqing Weiqiao RMB'000	Inter-company eliminations RMB'000	The Group RMB'000 (Restated)
Financial position as at 31 December 2017				
NON-CURRENT ASSETS				
Property, plant and equipment	83,985,765	57,347	–	84,043,112
Intangible assets	13,972	–	–	13,972
Prepaid lease payments	3,806,787	–	–	3,806,787
Investment properties	150,931	–	–	150,931
Deposits paid for acquisition of property, plant and equipment	421,144	–	–	421,144
Deposits paid for acquisition of land	14,968	–	–	14,968
Deferred tax assets	1,784,856	–	–	1,784,856
Interests in associates	1,325,328	–	–	1,325,328
Goodwill	1,265,763	–	–	1,265,763
Available-for-sale investments	6,000	–	–	6,000
	92,775,514	57,347	–	92,832,861
CURRENT ASSETS				
Prepaid lease payments	85,902	–	–	85,902
Inventories	15,585,330	–	–	15,585,330
Trade receivables	2,211,734	–	–	2,211,734
Bills receivables	11,912,479	–	–	11,912,479
Prepayments, loan and other receivables	12,359,225	1,541,371	(1,054,500)	12,846,096
Other financial assets	57	–	–	57
Restricted bank deposits	1,262,589	–	–	1,262,589
Cash and cash equivalents	21,925,568	22,371	–	21,947,939
	65,342,884	1,563,742	(1,054,500)	65,852,126

57. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

	The Group RMB'000 (as previously reported)	Chongqing Weiqiao RMB'000	Inter-company eliminations RMB'000	The Group RMB'000 (Restated)
Financial position as at 31 December 2017 (Continued)				
CURRENT LIABILITIES				
Trade and bills payables	16,060,100	1,054,500	(1,054,500)	16,060,100
Other payables and accruals	16,343,471	4,339	–	16,347,810
Bank borrowings – due within one year	9,529,148	–	–	9,529,148
Income tax payable	1,163,430	–	–	1,163,430
Short-term debentures and notes	3,000,000	–	–	3,000,000
Medium-term debentures and bonds – due within one year	7,196,185	–	–	7,196,185
Guaranteed notes	1,957,399	–	–	1,957,399
Deferred income	15,321	1,250	–	16,571
	55,265,054	1,060,089	(1,054,500)	55,270,643
NET CURRENT ASSETS	10,077,830	503,653	–	10,581,483
TOTAL ASSETS LESS CURRENT LIABILITIES	102,853,344	561,000	–	103,414,344
NON-CURRENT LIABILITIES				
Bank borrowings – due after one year	10,509,118	16,485	–	10,525,603
Liability component of convertible bonds	1,095,225	–	–	1,095,225
Derivatives component of convertible bonds	991,660	–	–	991,660
Deferred tax liabilities	505,125	272	–	505,397
Medium-term debentures and bonds – due after one year	36,271,871	–	–	36,271,871
Deferred income	263,479	23,542	–	287,021
	49,636,478	40,299	–	49,676,777
NET ASSETS	53,216,866	520,701	–	53,737,567

57. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

	The Group RMB'000 (as previously reported)	Chongqing Weiqiao RMB'000	Inter-company eliminations RMB'000	The Group RMB'000 (Restated)
Financial position as at 31 December 2017 (Continued)				
CAPITAL AND RESERVES				
Share capital	526,966	275,000	(275,000)	526,966
Reserves	50,706,364	11,386	275,000	50,992,750
Equity attributable to owners of the Company	51,233,330	286,386	–	51,519,716
Non-controlling interests	1,983,536	234,315	–	2,217,851
TOTAL EQUITY	53,216,866	520,701	–	53,737,567
Financial position as at 1 January 2017				
NON-CURRENT ASSETS				
Property, plant and equipment	86,658,456	48	–	86,658,504
Prepaid lease payments	3,066,503	–	–	3,066,503
Deposits paid for acquisition of property, plant and equipment	1,745,089	–	–	1,745,089
Deposits paid for acquisition of land	443,390	–	–	443,390
Deferred tax assets	557,322	–	–	557,322
Interests in associates	944,796	–	–	944,796
Goodwill	311,769	–	–	311,769
Other financial assets	14,631	–	–	14,631
	93,741,956	48	–	93,742,004
CURRENT ASSETS				
Prepaid lease payments	56,152	–	–	56,152
Inventories	17,143,324	–	–	17,143,324
Trade receivables	363,314	–	–	363,314
Bills receivables	9,721,942	–	–	9,721,942
Prepayments, loan and other receivables	8,242,544	232,569	(232,000)	8,243,113
Other financial assets	13,047	–	–	13,047
Restricted bank deposits	396,808	–	–	396,808
Cash and cash equivalents	12,842,380	299,267	–	13,141,647
	48,779,511	531,836	(232,000)	49,079,347

57. BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

	The Group RMB'000 (as previously reported)	Chongqing Weiqiao RMB'000	Inter-company eliminations RMB'000	The Group RMB'000 (Restated)
Financial position as at 31 December 2017 (Continued)				
CURRENT LIABILITIES				
Trade and bills payables	7,506,386	–	–	7,506,386
Other payables and accruals	12,603,276	7,088	(232,000)	12,378,364
Bank borrowings – due within one year	14,310,943	–	–	14,310,943
Other financial liabilities	1,691	–	–	1,691
Income tax payable	724,632	–	–	724,632
Short-term debentures and notes	11,000,000	–	–	11,000,000
Medium-term debentures and bonds – due within one year	731,664	–	–	731,664
Guaranteed notes	2,768,436	–	–	2,768,436
Deferred income	6,106	25,000	–	31,106
	49,653,134	32,088	(232,000)	49,453,222
NET CURRENT LIABILITIES	(873,623)	499,748	–	(373,875)
TOTAL ASSETS LESS CURRENT LIABILITIES	92,868,333	499,796	–	93,368,129
NON-CURRENT LIABILITIES				
Bank borrowings – due after one year	4,696,770	–	–	4,696,770
Deferred tax liabilities	578,097	–	–	578,097
Medium-term debentures and bonds – due after one year	39,720,060	–	–	39,720,060
Guaranteed notes	2,070,436	–	–	2,070,436
Deferred income	114,668	–	–	114,668
	47,180,031	–	–	47,180,031
NET ASSETS	45,688,302	499,796	–	46,188,098
CAPITAL AND RESERVES				
Share capital	474,057	275,000	(275,000)	474,057
Reserves	44,324,255	(112)	275,000	44,599,143
Equity attributable to owners of the Company	44,798,312	274,888	–	45,073,200
Non-controlling interests	889,990	224,908	–	1,114,898
TOTAL EQUITY	45,688,302	499,796	–	46,188,098

58. COMPARATIVE FIGURES

Except restatement of comparative figures as a result of business combination under common control, certain comparative figures in the consolidated financial statements have been reclassified to conform to current year's presentation.

59. EVENTS AFTER THE REPORTING PERIOD

On 31 January 2019, the Company and Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste"), which is owned as to 51% by Weiqiao Chuangye, entered into the industrial waste service agreement for a term ending on 31 December 2021, pursuant to which Beihai Solid Waste will provide industrial waste collection, transport, storage and disposal services to the Group. And on 31 January 2019, Shandong Hongqiao and Weiqiao Chuangye entered into the production water supply agreement for a term ending on 31 December 2021, pursuant to which Weiqiao Chuangye will supply water to the production bases of Shandong Hongqiao for production use. Further details are set out in the announcement of the Company dated 31 January 2019.