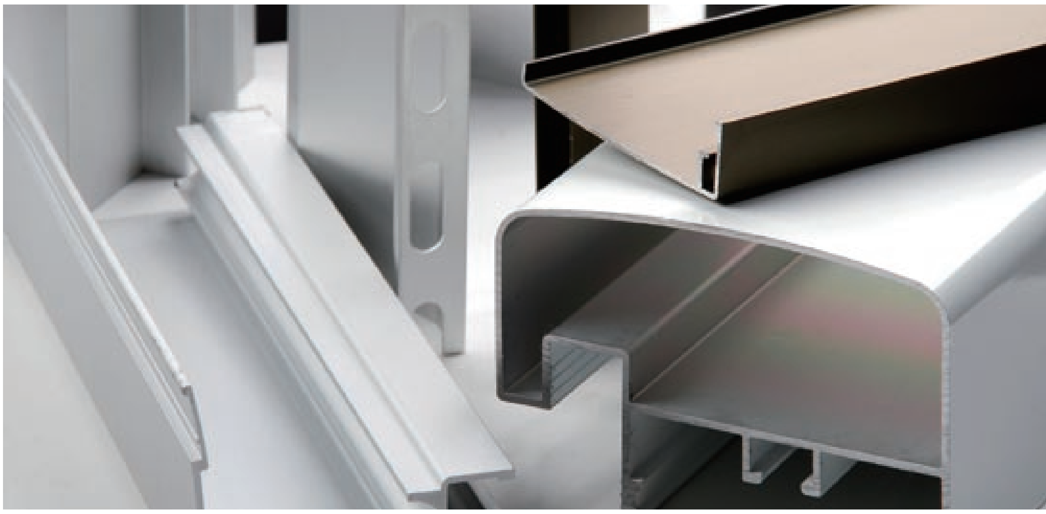
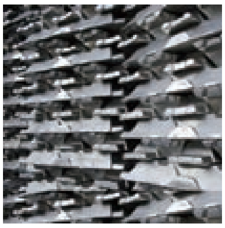
China Hongqiao Group Limited
中國宏橋集團有限公司

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

2010
Annual Report

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FINANCIAL HIGHLIGHTS

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

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

Assets and liabilities

	As at 31 December (RMB'000)			
	2007	2008	2009	**2010**
Total assets	9,355,765	11,151,792	11,387,261	**13,345,696**
Equity	2,150,975	2,579,849	3,147,491	**7,302,541**
Total liabilities	7,204,790	8,571,943	8,239,770	**6,043,155**
Return on equity[1] (%)	89.4	18.1	19.8	**80.8**
Current ratio[2] (%)	53	48	47	**236**
Accounts receivable turnover[2] (days)	6	2	2	**1**
Inventory turnover[2] (days)	64	33	30	**32**
Accounts payable turnover[2] (days)	57	38	33	**28**

Note:

1 Calculated based on average equity

2 Calculated exclusive of those held for sale

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Zhang Shiping *(Chairman)*
Zheng Shuliang *(Vice Chairman)*
Zhang Bo *(Chief executive officer)*
Qi Xingli *(Chief financial officer)*

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen

JOINT COMPANY SECRETARIES

Zhang Yuexia
Ho Wing Yan

AUDIT COMMITTEE

Han Benwen *(Chairman)*
Xing Jian
Chen Yinghai

NOMINATION COMMITTEE

Xing Jian *(Chairman)*
Zhang Shiping
Han Benwen

REMUNERATION COMMITTEE

Zhang Shiping *(Chairman)*
Han Benwen
Xing Jian

AUTHORISED REPRESENTATIVES

Zhang Bo
Zhang Yuexia

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

PLACE OF BUSINESS IN HONG KONG

43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

HEAD OFFICE IN THE PRC

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

CAYMAN ISLANDS REGISTERED OFFICE

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

CORPORATE INFORMATION (Continued)

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY WEBSITE

www.hongqiaochina.com

STOCK CODE

1378

SHAREHOLDERS' REFERENCE

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 24 MARCH 2011 (LISTING DATE OF THE COMPANY)

5,885,000,000

INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

Mr. Wang Donghua
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Fax：(86 21) 6403 1462
Email：wangdonghua@hongqiaochina.com

FINANCIAL YEAR END

31 December

FINANCIAL CALENDAR

Annual Results Announcement Date
30 March 2011

ANNUAL GENERAL MEETING

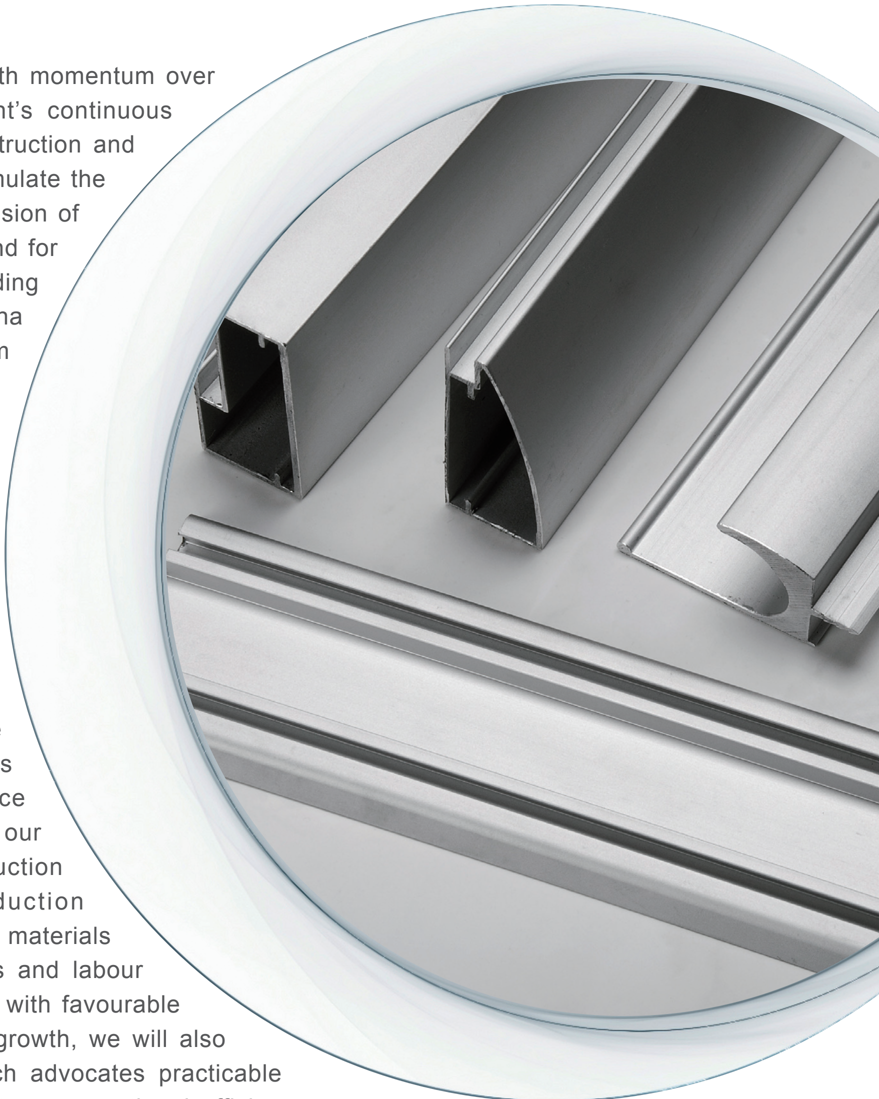
20 May 2011

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the Board of Directors (the "Board") of China Hongqiao Group Limited ("China Hongqiao" or the "Company") the first annual results report of the Company and its subsidiaries (together, the "Group") after its listing.

For the year ended 31 December 2010 (the "Year" or "Period under Review"), China Hongqiao fully capitalized on the opportunities arising from the PRC government's efforts to expand domestic demand and the global economy's gradual recovery. As a result of our strategy of expanding production capacity, improving operational efficiency and strengthening internal management, the business of China Hongqiao grew rapidly and achieved satisfactory results. During the Year, the Company recorded a revenue of approximately RMB15,131.6 million, representing an increase of approximately 74.6% from approximately RMB8,668.4 million for 2009. Profit attributable to shareholders of the Company amounted to approximately RMB4,195.7 million, representing an increase of approximately 654.2% from approximately RMB556.3 million for 2009.

Leveraging on its management expertise, cost competitiveness and scale of operations, the Group has been continuously strengthening its growth. On 24 March 2010, with the persistent efforts of all our staff and the support of other parties, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On behalf of the Board, I would like to welcome our new shareholders to participate in the development of the Group and to share our promising future. The successful listing of the Company has not only secured valuable financial support for our future development, but would further enhance our corporate governance and our competitive strengths in the PRC aluminium industry and lay down a solid foundation for the Group to become a leading aluminium products manufacturer adhering to the principles of "high efficiency, energy conservation and environment friendliness". As an industry leader in China, we will continue to rely on our competitive strengths to expand market share and maintain our leading position in China and the global aluminum industry.



China's economy has maintained a strong growth momentum over the years. As a result of the PRC government's continuous increase in its investment in infrastructure construction and the implementation of a series of policies to stimulate the domestic demand, together with the rapid expansion of China's auto and real estate markets, the demand for aluminium products grew significantly. As a leading aluminium products manufacturer in China, China Hongqiao seized the opportunities arising from the increasing demand for aluminium products and achieved satisfactory results. The Group plans to continue to expand its production capacity to win further market share. We will use the proceeds raised from the listing of the Company to speed up the construction and trial operation of our production lines in order to commence production at an earlier stage. Meanwhile, we will enhance our R&D capacities to refine our manufacturing techniques so as to improve product quality and lower cost. We will place more resources for our R&D activities and purchase advanced equipment to enhance our competitive capability. Through upgrading our manufacturing facilities, techniques and production process, we will be able to improve production efficiency, achieve savings in electricity and raw materials consumption, repair and maintenance expenses and labour costs so that our shareholders will be rewarded with favourable investment returns. While striving for business growth, we will also focus on developing our corporate culture which advocates practicable management and encourages innovation so that our operational efficiency can be further improved.

CHAIRMAN'S STATEMENT (Continued)

The Group will continue to strive for high standard corporate governance and strengthen the internal control and enhance our risk-prevention capability through the appointment of independent non-executive directors and the establishment of special Board committees (including the audit committee, remuneration committee and nomination committee). On the other hand, the Group will maintain efficient communications with its investors and update them with the latest information so as to secure their interests.

OUTLOOK AND PROSPECTS

I firmly believe that, with the joint efforts of other members of the Board, the senior management and our staff as well as the strong support of other parties, the Group will seize favourable opportunities arising from the gradual recovery of market to achieve rapid growth through resource integration and expansion of production capacity and maintain and further strengthen our leading market position in the aluminium industry in China, so as to provide our customers with the products they desire, provide the best business opportunities for our partners, and maximize our profit and the value for our customers, shareholders and the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2010, driven by the strong consumption demand in the emerging markets including China, the global primary aluminum demand was strong. The demand and supply equilibrium of the aluminium products market was better in 2010 than in 2009.

According to the statistics released by the China Aluminium Network, the production volume of the global primary aluminum was approximately 40.43 million tons, representing an increase of 11.2% as compared with approximately 36.36 million tons in 2009. As one of the fastest growth region in the world in 2010, the aluminum production volume in China increased by approximately 24.5% to approximately 16.13 million tons in 2010 from approximately 12.96 million tons in 2009. The global primary aluminum consumption in 2010 was approximately 40.22 million tons, representing an increase of 14.7% as compared with 35.07 million tons in 2009. During the same period, primary aluminum consumption in China amounted to approximately 16.50 million tons, with a 19.5% year-on-year increase.

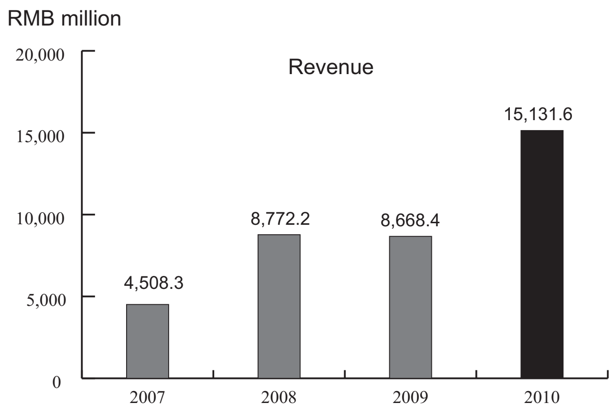
In 2010, the price of aluminium products in general has experienced stronger range-bound fluctuations. In mid-April 2010, the three-month aluminium futures price on the London Metal Exchange ("LME") has dropped to its lowest level at USD1,844/ton in 2010, and the three-month aluminium futures price on the Shanghai Futures Exchange ("SHFE") dropped to its lowest level at RMB14,580 per ton. In November 2010, the three-month aluminium futures price on LME rose to its highest level at USD2,477 per ton, while the three-month aluminium futures price on SHFE rose to its highest level at RMB18,470 per ton. In 2010, the average price of three-month aluminium futures on LME was USD2,272 per ton, representing a year-on-year increase of 34.5%; and the average price of three-month aluminium futures on SHFE was RMB16,186 per ton, representing a year-on-year increase of 20.3%.

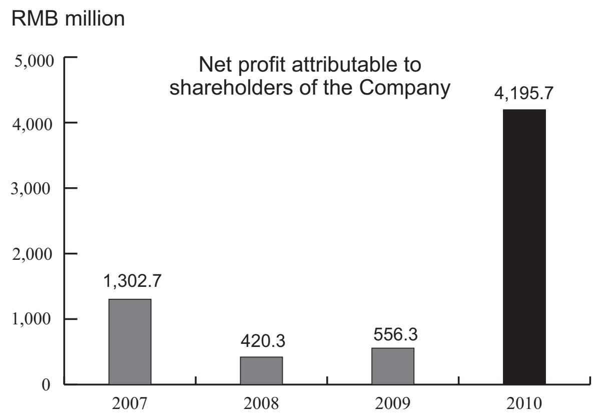
BUSINESS REVIEW

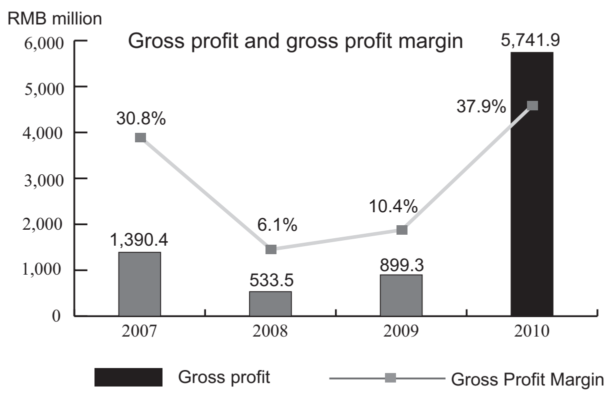
In 2010, the international market recovered gradually and the domestic market grew steadily, resulting in a rebound in the demand for aluminium products. China Hongqiao seized such opportunity to accelerate business development and achieved satisfactory results with a substantial increase in gross profit. The Group continued to expand production capacity and to enhance its business development, as well as to strengthen its internal control and to lower production costs. Leveraging on the advantages of the local aluminium industry cluster, the Group secured a solid customer base and has successfully maintained its market share.

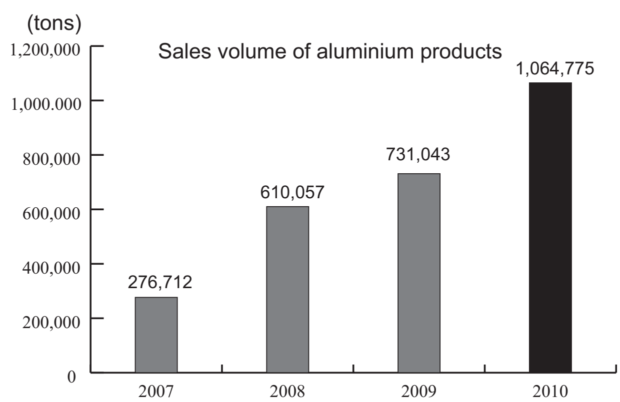
MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The consolidated results of the Company for the year ended 31 December 2010 together with the comparative figures for the years ended 31 December 2007, 2008 and 2009 are as follows:









For the year ended 31 December 2010, China Hongqiao recorded a revenue of approximately RMB15,131,591,000, representing an increase of approximately 74.6% as compared with the previous year. It was mainly due to the gradual recovery of China's economy which drove up market demand, leading to a significant increase in our sales and average prices; our aluminium product sales volume increased by approximately 45.7% to approximately 1,064,775 tonnes in 2010 from approximately 731,043 tonnes in 2009; the average price of our aluminium products increased by approximately 14.5% to approximately RMB13,575 per tonne for 2010 from approximately RMB11,858 per tonne for 2009.

For the year ended 31 December 2010, net profit attributable to shareholders of the Company increased by 654.2% to approximately RMB4,195,738,000 over the previous year. It was mainly due to the gradual recovery of China's economy which drove up market demand, leading to a significant increase in our sales and average prices. Meanwhile, the average electricity cost for each tonne of aluminium products we sold decreased by 38.2% to approximately RMB3,271 in 2010 from approximately RMB5,295 in 2009; and the average purchase price for alumina decreased to approximately RMB1,621 per tonne in 2010, as compared with approximately RMB1,712 per tonne in 2009.

The tables below are a comparison of the breakdown of revenue by products for the years ended 31 December 2010 and 2009:

Proportion of revenue by products

	2010		2009	
Products	**Revenue RMB'000**	**Percentage of total revenue %**	Revenue RMB'000	Percentage of total revenue %
molten aluminium alloy	**12,204,082**	**80.7**	5,334,467	61.5
aluminium alloy ingots	**2,183,065**	**14.4**	3,243,692	37.5
aluminium busbars	**66,786**	**0.4**	90,269	1.0
Steam	**677,658**	**4.5**	–	–
Total	**15,131,591**	**100**	8,668,428	100

For the year ended 31 December 2010, the Group's revenue generated from the sales of molten aluminium alloy increased, which was primarily due to the significant increase in sales volume of our molten aluminium alloy products as a result of the strong demand from the downstream customers located in Zouping aluminium industry cluster where the Group's principal manufacturing base is located; the proportion of revenue generated from the sales of aluminium alloy ingots decreased, which was mainly due to the sales of molten aluminium alloy products increased which in turn led to a decrease in the sales of aluminium alloy ingots, while the proportion of revenue generated from the sales of aluminium busbars decreased, which was primarily because our customers' demand of aluminium busbars decreased and at the same time our aluminium busbars were used for the construction of the production facilities in our Binzhou manufacturing base.

For the year ended 31 December 2010, the Group had three production bases in total, namely:

1. Weiqiao manufacturing base;

2. Zouping manufacturing base; and

3. Binzhou manufacturing base.

All of the above production bases are located in Shandong Province of China with a total gross floor area of approximately 1,050,000 sq.m.

In 2010, the production volume of molten aluminium alloy, aluminium alloy ingots and aluminium busbars of the Group were approximately 903,428 tonnes, 159,009 tonnes and 13,759 tonnes respectively, which represented growth of 102.7%, -42.3% and 184.1%, respectively, over previous year. Such increase was primarily due to the significant increase in production of molten aluminium alloy in order to meet the strong demand from the customers located in Zouping aluminium industry cluster. Meanwhile, the production of aluminium busbars increased mainly because they were used for the construction of the production facilities in our Binzhou manufacturing base which in turn led to the decrease in production volume of aluminium alloy ingots.

During the Period under Review, the Group continued to actively expand its market share and explore new markets. For the year ended 31 December 2010, the Company had 50 customers.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 attributable to its major product categories for the years ended 31 December 2010 and 2009:

	For the year ended 31 December					
	2010			2009		
Products	**Revenue RMB'000**	**Gross profit RMB'000**	**Margin %**	Revenue RMB'000	Gross profit RMB'000	Margin %
Molten aluminum alloy	**12,204,082**	**4,612,937**	**37.8**	5,334,467	663,273	12.4
Aluminum alloy ingots	**2,183,065**	**876,086**	**40.1**	3,243,692	223,006	6.9
Aluminium busbars	**66,786**	**28,393**	**42.5**	90,269	13,051	14.5
Steam	**677,658**	**224,453**	**33.1**	–	–	–
Total	**15,131,591**	**5,741,869**	**37.9**	8,668,428	899,330	10.4

For the year ended 31 December 2010, the overall gross profit margin of the Group's products increased to 37.9%, as compared with 10.4% in the previous year, which was mainly due to the gradual recovery of China's economy which drove up market demand, leading to a significant increase in the average prices of our products; the average price of our aluminium products increased by approximately 14.5% to approximately RMB13,575 per tonne in 2010 from approximately RMB11,858 per tonne in 2009; meanwhile, as there was a significant decrease in the cost of electricity and alumina used for the production of our aluminium products, the unit cost of sales of aluminium products dropped significantly.

Distribution and selling expenses

The Group's distribution and selling expenses decreased by 51.2% to approximately RMB19,977,000 for the year ended 31 December 2010 from approximately RMB40,961,000 of the previous year. The decrease in distribution and selling expenses was mainly attributable to a 51.0% decrease in transportation cost to approximately RMB19,729,000 from approximately RMB40,247,000 in 2009. The decrease in transportation cost was mainly because we sold a smaller proportion of aluminium alloy ingots while we sold a higher portion of molten aluminium alloy, which had a shorter delivery distance resulting in lower transportation cost than that for the other aluminium products. The average transportation cost in 2010 dropped to RMB19 per tonne from RMB55 per tonne in 2009.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2010 amounted to approximately RMB112,038,000, representing an increase of approximately 21.3% as compared with approximately RMB92,335,000 in the previous year. It was mainly due to an increase in the local tax payables arising from the Group's purchase of land and the construction of new plants to meet the needs of production capacity expansion in 2010.

Other expenses

For the year ended 31 December 2010, the other expenses of the Group amounted to approximately RMB42,815,000, which was mainly the professional fees in connection with the listing of our Company on the Main Board of the Stock Exchange while we did not incur such expenses in 2009.

Finance costs

For the year ended 31 December 2010, finance costs of the Group were approximately RMB192,990,000, representing an increase of approximately 116.3% as compared with RMB89,243,000 of 2009. This was mainly due to our new bank loans in 2010 and the increase in interest rates.

Liquidity and financial resources

As at 31 December 2010, cash and cash equivalents of the Group were approximately RMB2,669,569,000, representing an increase of approximately 404.7% as compared with that of approximately RMB528,945,000 (including assets classified as held for sale) as at 31 December 2009. This was mainly due to the increase in the profit of the Company for the year which led to the increase in net cash flow generated from operating activities.

For the year ended 31 December 2010, the Group had a net cash outflow from investing activities of approximately RMB1,814,002,000, a net cash outflow from financing activities of approximately RMB817,838,000 and a net cash inflow from operating activities of approximately RMB4,772,464,000. The Group principally satisfies its demand for operating capital with cash inflow from operation.

For the year ended 31 December 2010, the capital expenditures of the Group amounted to approximately RMB2,949,476,000, mainly for the construction of Phase I of Binzhou manufacturing base and assets swap for aluminium production facilities by Shandong Hongqiao.

As at 31 December 2010, the Group had capital commitment of approximately RMB2,829,347,000, representing capital expenditure in respect of acquisition of property, plant and equipment, primarily related to the construction of Phase I of Binzhou manufacturing base.

For the year ended 31 December 2010, the Group's average turnover days of trade receivables was 1 day, a decrease as compared with 2 days for the corresponding period of the previous year. It was mainly because we requested prepayment before delivery, and if the value of actual shipment exceeded the prepayment, we would allow no more than 90 turnover days, therefore, the Group's trade receivables turnover period is generally shorter.

For the year ended 31 December 2010, the Group's average turnover days of inventory was 32 days, an increase as compared with 30 days for the corresponding period of the previous year, which was mainly due to the increase in the inventory of raw materials required for its production and the expansion of production capacity had led to an increase in work-in-process.

For the year ended 31 December 2010, the Group did not have financial derivative instruments.

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

Net profit attributable to owners of the Company was approximately RMB4,195,738,000 for the year ended 31 December 2010, representing an increase of approximately 654.2% as compared with approximately RMB556,289,000 in the previous year.

For the year ended 31 December 2010, earnings per share of the Company were RMB0.84. Details of the calculation of earnings per share are set out in Note 13 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital Structure

We have built an appropriate liquidity risk management framework to manage our short, medium and long-term funding and to satisfy liquidity management requirements. Cash and cash equivalents of the Group amounted to approximately RMB2,669,569,000 (2009: RMB443,133,000) as at 31 December 2010 and were mainly deposited with commercial banks. As at 31 December 2010, the total liabilities of the Group amounted to approximately RMB6,043,155,000 (2009: RMB6,153,376,000 from continuing operations). Gearing ratio (total liabilities to total equity) decreased to approximately 82.7% (2009: 195.5%).

The Group maintained a balanced portfolio of loans at fixed interest rate and variable rates to manage interest expenses. As at 31 December 2010, 36.5% of the Group's bank borrowings were subject to fixed interest rates while the remaining 63.5% were subject to floating interest rates.

The Group relied on its bills receivable, restricted bank deposits and prepayment to secure its bank borrowings and to finance its daily operations and projects constructions. As of 31 December 2010, the Company's secured bank borrowings was RMB89,850,000 (2009: RMB22,000,000).

The objective of the Group is to maintain a balance between the continuity and flexibility of funds through bank loans. As at 31 December 2010, approximately 1.8% of the Group's borrowings will become due within one year.

As at 31 December 2010, the Group's borrowings were denominated in Renminbi and US dollars, and 1.8% of the Group's borrowings were denominated in US dollars. Cash and cash equivalents were mainly held in Renminbi, US dollars and HK dollars, of which 0.2% was held in US dollars and 0.0005% of the cash and cash equivalents was held in HK dollars.

Employee and remuneration policy

As at 31 December 2010, the Group had a total of approximately 13,884 employees, representing an increase of 6,504 employees as compared with last year. The increase in the number of staff was due to the expansion of its production capacity, the Group recruited additional new staff to meet the needs of the Group's production during the Year. Total staff costs amounted to approximately RMB317,709,000 during the Year, representing approximately 2.1% of its revenue, which remained the same as of the previous year. The increase in total staff costs in 2010 was mainly due to the increase in salary to attract talents and to maintain a stable workforce. The remuneration package of our employees includes salary and various types of allowances. In addition, we have established a performance-based remuneration system under which employees may be awarded with additional bonuses. We provide training programs for our employees to equip themselves with the requisite skills and knowledge.

Exposure to foreign exchange risk

We collected all of the revenue in Renminbi and incurred most of the expenditures as well as capital expenditures in Renminbi. As certain bank balances and borrowings are denominated in foreign currencies, we are exposed to certain currency risks. As of 31 December 2010, our bank balances denominated in foreign currencies were RMB3,997,000 and bank borrowings were RMB72,850,000. For the year ended 31 December 2010, the Group recognized foreign exchange gain of approximately RMB156,000. We have not used any financial instruments to hedge against currency risk.

CONTINGENT LIABILITIES

In 2010, Wuhan Boiler Company Limited (the "Wuhan Boiler") initiated legal proceedings against the Company in respect of the boiler purchase agreements entered into with the Company. As at 31 December 2010, the Group's contingent liabilities incurred as a results of such litigations totaled approximately RMB335,010,000 (2009: Nil).

Please refer to the sections headed "Business" and "Financial Information" in the Prospectus and Note 37 to the consolidated financial statements for further details of contingent liabilities.

INCOME TAX

Income tax of the Group increased by 608.8% from approximately RMB196,924,000 for 2009 to approximately RMB1,395,868,000 for 2010. This was primarily due to the increase of the Group's profit before taxation.

MERGER AND ACQUISITION ACTIVITIES AND DISPOSAL OF ASSETS OF THE GROUP

On 25 March 2010, the Group acquired certain assets through the acquisition of 100% equity interests in 濱州市政通新型鋁材有限公司 (Binzhou Zhengtong New Aluminum Profiles Co., Ltd.) ("Zhengtong"), from Ms. Zheng and other independent third parties for an aggregate consideration of RMB205 million.

On 28 December 2009, the Company's subsidiary, 山東宏橋新型材料有限公司 (Shandong Hongqiao New Material Co., Ltd) ("Shandong Hongqiao") entered into a share transfers framework agreement with 山東慧濱棉紡漂染有限公司 (Shandong Huibin Dyeing Co., Ltd) ("Huibin Dyeing"), 濱州海洋化工有限公司 (Binzhou Marine Chemical Co., Ltd) ("Marine Chemical"), 保恒俐投資有限公司 (Profit Long Investment Limited) ("Profit Long Investment") and 山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited) ("Chuangye Group"), to dispose of the entire equity interests of Marine Chemical to Huibin Dyeing. In accordance with the agreement, the power to govern the financial and operating activities of Marine Chemical was passed to Huibin Dyeing by Shandong Hongqiao on 1 January 2010. On 31 December 2009, the assets and liabilities of Marine Chemical are reclassified as assets and liabilities held for sale. The Group has recorded a gain of RMB6,620,000 in the current year on the sale of Marine Chemical.

The Company's subsidiary, Shandong Hongqiao, disposed of its dyeing business, effective 4 January 2010 to Chuangye Group by way of exchange of the assets and liabilities attributable to the dyeing business with a then fair value of approximately RMB35,420,000 and a cash consideration of approximately RMB1,154,277,000 to be paid by Shandong Hongqiao, for all the property, plant and equipment attributable to the aluminum business of Chuangye Group (excluding the land on which such production lines were located as the acquisition of such leasehold land is effected through separate land purchase agreements as detailed in Note 36(b)(iii) to the consolidated financial statements) with a then fair value of RMB1,189,697,000. The Group recorded a gain of RMB24,895,000 for the year ended 31 December 2010 on disposal of such assets.

OUTLOOK

With the gradual recovery of the market, we, as an aluminium industry leading manufacturer in China, will seize the opportunities by leveraging on the Group's competitive strengths to achieve rapid growth through resource integration and expansion of production capacity, so as to further enhance our leading market position in the industry and to provide our customers with the products they desire and maximize our profit and the interests of our shareholder.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

Name	Age	Position
ZHANG Shiping	64	Chairman and executive Director
ZHENG Shuliang	64	Vice chairman and executive Director
ZHANG Bo	41	Chief executive officer and executive Director
QI Xingli	46	Chief financial officer and executive Director
YANG Congsen	41	Non-executive Director
ZHANG Jinglei	34	Non-executive Director
XING Jian	61	Independent non-executive Director
CHEN Yinghai	51	Independent non-executive Director
HAN Benwen	60	Independent non-executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 64, was appointed the chairman and an executive Director of our Company on January 16, 2011 and is responsible for the overall strategic planning of our Group. He graduated from Anhui College of Finance and Trading (安徽財貿學院) and obtained a diploma in cotton testing in December 1991. He is recognized as a qualified senior economist by the Shandong Economic Professional and Technical Title Senior Evaluating Committee (山東省經濟專業職務高級評審委員會) in 1989. Mr. Zhang Shiping has been the director of Shandong Hongqiao since July 1994. He held the positions of general manager of Chuangye Group (including its predecessor) from March 1996 to April 1998, the chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698) (including its predecessor) from May 1998 to October 2000, a director of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) from November 2001 to May 2010 and chairman of Binzhou Weiqiao Aluminum Technology Co., Ltd. (濱州魏橋鋁業科技有限公司) ("Aluminum Technology") from December 2002 to September 2007. He is currently the chairman of Chuangye Group, a non-executive director of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698), chairman of Zouping Supply and Marketing Investment Co., Ltd (鄒平供銷投資有限公司), Party Secretary of Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社), chairman of China Hongqiao Holdings Limited (中國宏橋控股有限公司) ("Hongqiao Holdings"), chairman of Profit Long Investment and chairman of Weiqiao Pioneering (Hong Kong) Import & Export Company Limited. Mr. Zhang Shiping is the founder of our Group and joined Aluminum & Power in December 2002 as a director. He has five years' experience in aluminum industry since the commencement of aluminum business in 2006. Mr. Zhang Shiping joined our Group in July 1994. He was a deputy to the 9th and 10th National People's Congress and was selected by the State Council as "National Model Worker in 1995". He is the husband of Ms. Zheng Shuliang, the father of Mr. Zhang Bo and the father-in-law of Mr. Yang Congsen.

Ms. Zheng Shuliang (鄭淑良), aged 64, was appointed the vice chairman and an executive Director of our Company on January 16, 2011. She held the positions of the section chief, director of Metering Division of Raw Materials Purchase Department and deputy director of Raw Materials Supply Department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of Metering Department of Chuangye Group from June 1999 to June 2001. Ms. Zheng Shuliang joined our Group in July 2009 and has been a director and vice chairman of Shandong Hongqiao. She is currently a director of Profit Long Investment. 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 41, was appointed an executive Director and chief executive officer of our Company on January 16, 2011. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and has obtained a bachelor degree in economics in August 1996. He has also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He is responsible for overseeing our Group's general operation, marketing and promotion for our Group. He has more than 12 years of management experience. He had also been the deputy general manager of Chuangye Group from April 1998 to February 1999, general manager, executive director, chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698) (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010 and the chairman and general manager of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) from November 2001 to May 2010. He is currently a director of Chuangye Group. Mr. Zhang Bo joined our Group in 2006 and has been the general manager and the chairman of the board of directors of Shandong Weiqiao Aluminum and Power Co., Ltd. (山東魏橋鋁電有限公司) ("Aluminum & Power") since November 2006. Mr. Zhang Bo has four years' experience in aluminum industry. He is familiar with the aluminum industry and has been equipped with the expertise in the aluminum industry. He is a deputy to the People's Congress of Shandong Province, and was selected by the State Council as "National Model Worker" in 2010. Mr. Zhang Shiping is his father and Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Mr. Qi Xingli (齊興禮), aged 46, was appointed an executive Director and the chief financial officer of our Company on January 16, 2011. He graduated from Shandong Cadre Correspondence University (山東幹部函授大學) and obtained a university diploma in financial accounting in June 1998. He also obtained the certificate as an international certified senior accountant by the International Profession Certification Association in June 2010. He oversees our Group's finance and accounting functions and has over 17 years' experience in financial management. He had also been deputy director and director of the financial division, deputy general manager and director of Chuangye Group (including its predecessor) from February 1994 to October 2000, general manager, executive director and the chief financial officer of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698) from November 1999 to June 2010, a supervisor of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010 and a director of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) from November 2001 to May 2010. Mr. Qi Xingli joined our Group in June 2010.

DIRECTORS AND SENIOR MANAGEMENT (Continued)

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 41, was appointed a non-executive Director of our Company on January 16, 2011. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. Mr. Yang obtained the master degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He was responsible for the production and operation of the self-owned power plants of our Group prior to the Listing and has over ten years' management experiences. He held the positions of the network administrator of human resources division of Chuangye Group (including its predecessor) from October 1997 to December 1999, head of Thermal Power Plant of Shandong Weiqiao Chuangye Group Company Limited (山東魏橋創業集團有限公司熱電廠) from December 1999 to October 2003, deputy general manager of Chuangye Group from January 2005 to June 2006. He joined our Group in January 2007. He was also the deputy general manager of Aluminum & Power prior to the Listing. He is currently a director of Chuangye Group. He is the son-in-law of Mr. Zhang Shiping and Ms. Zheng Shuliang and the brother-in-law of Mr. Zhang Bo.

Mr. Zhang Jinglei (張敬雷), aged 34, was appointed a non-executive Director of our Company on January 16, 2011. He graduated from Xi'an Engineering College (西安工程學院) and obtained the junior college diploma in proximate analysis in July 1997. He joined Weiqiao Textile Company Limited (stock code: 2698) (魏橋紡織股份有限公司) (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile Company Limited (including its predecessor) from September 1998 to September 2000. He worked at the securities office, production technology section and the securities department of Weiqiao Textile Company Limited from October 2000. Mr. Zhang Jinglei joined our Group in January 2011. He is currently an executive director and company secretary of Weiqiao Textile Company Limited (stock code: 2698) (魏橋紡織股份有限公司).

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 61, was appointed an independent non-executive Director of our Company on January 16, 2011. He graduated from Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) and obtained a university diploma in economics and management in December 1995. He held the positions of deputy secretary and secretary of Weiqiao Town of Zouping County from August 1982 to October 1985, deputy mayor of Zouping County from October 1985 to February 1987, deputy secretary and county mayor of Gaoqing County from February 1987 to January 1994, director and Party Secretary of Audit Bureau of Zibo City of Shandong Province from July 1994 to March 1999, deputy commissioner and Party Secretary of Special Commissioner Office of National Auditing Administration in Jinan from April 1999 to January 2001, deputy director of Head Office Service Bureau of National Auditing Administration from January 2001 to May 2002, director of Building Materials Auditing Bureau of National Auditing Administration from May 2002 to August 2008 and auditor of Social Insurance Auditing Bureau of National Auditing Administration from August 2008 to June 2009.

Mr. Chen Yinghai (陳英海), aged 51, was appointed an independent non-executive Director of our Company on January 16, 2011. He graduated from the School of Textile Science and Technology of Beijing Union University (北京聯合大學紡織工程學院) majoring in wool spinning and weaving and obtained the bachelor degree in engineering in July 1987. He held the position of the deputy section head of China Non-cotton Yarns & Fabrics Import & Export Co. (中紡化纖毛麻進出口公司) from December 1990 to April 1991, employer of Chinatex Industry Co., Ltd (中紡實業有限公司) from May 1991 to November 1994, general manager of Chinatex Singapore Trading Co. Ltd (中紡新加坡貿易有限公司) from December 1994 to November 1997, general manager of Chinatex Cotton Yarns and Fabrics Import & Export Corp. (中紡紗布進出口公司) from March 1998 to December 2000, director of representative office of Chinatex in Shanghai (中國紡織品進出口總公司) from March 2003 to May 2004. He is currently an executive director of RFH Equities Co. (融豐行投資有限公司) since October 2001.

Mr. Han Benwen (韓本文), aged 60, was appointed an independent non-executive Director of our Company on January 16, 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognized by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. Mr. Han worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) ("Jianxin", formerly known as Zouping Jianxin Certified Public Accountants Corporation) as an accountant from December 1999 to February 2007. He is currently working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

SENIOR MANAGEMENT

Ms. Zhang Ruilian (張瑞蓮), aged 33, is the vice president of our Company and the manager of the accounting department of our Company. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She has over ten years' accounting experience. Ms. Zhang Ruilian joined our Group in June 2006. She held the positions of the manager of audit department of Chuangye Group from December 2005 to June 2006, manager of accounting department of Aluminum & Power from June 2006 to July 2009. She is currently the manager of accounting department of Aluminum & Power and manager of accounting department of Shandong Hongqiao.

Mr. Wang Donghua (王東華), aged 33, is the vice president of our Company and is in charge of our capital markets and merger and acquisition activities. He obtained his master's degree in finance from the European University in Geneva, Switzerland in July 2002. He worked as the assistant to the chairman and the investor relations director of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698) and was in charge of its capital markets and merger and acquisition activities, including but not limited to communications with investment banks, securities firms and institutional investors, financing and merger and acquisition from 2003 to June 2010. Mr. Wang Donghua had not served any position in our Group prior to his appointment as the vice president of our Company.

DIRECTORS AND SENIOR MANAGEMENT (Continued)

Mr. Deng Wenqiang (鄧文強), aged 39, is the vice president of our Company. He graduated from Kunming University of Science and Technology (昆明理工大學) and obtained the bachelor's degree in non-ferrous metal metallurgy in July 1995 and is a qualified engineer. Mr. Deng Wenqiang joined our Group in January 2003. He is responsible for the production, research and development of aluminum products of our Group. Mr. Deng Wenqiang previously held the positions of workshop director, vice factory director and factory director of Aluminum & Power from January 2003 to June 2006. He is currently the deputy general manager of Aluminum & Power and deputy general manager of Shandong Hongqiao. In 2000, he was awarded the first prize for his quality control achievements by Shandong Province Metallurgical Industry Corporation. In 2005, he was recognized as the Advanced Individual of Science and Technology Work by Shandong Province Metallurgical Industry Corporation. He was elected as the representative of the 15th People's Congress of Zouping County and the 9th People's Congress of Binzhou Municipality.

JOINT COMPANY SECRETARIES

Ms. Zhang Yuexia (張月霞), aged 35, was appointed the secretary of our Company on January 16, 2011. She graduated from Binzhou Normal Specialised Postsecondary College (濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She has over 10 years' accounting experience. She held the positions of the manager and section chief of accounting department of Chuangye Group from December 2001 to July 2009 and the deputy manager of the securities department of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698) from March 2008 to January 2010. Ms. Zhang Yuexia had not served any position in our Group prior to January 16, 2011.

Ms. Ho Wing Yan (何詠欣), aged 29, was appointed the secretary of our Company on January 16, 2011. She graduated from Hong Kong Baptist University (香港浸會大學) and obtained a bachelor's degree in business administration (applied economics) in November 2004. She has also obtained a master degree of corporate governance from the Open University of Hong Kong (香港公開大學) in June 2009. She was admitted as an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in November 2009. Ms. Ho Wing Yan held the position of company secretarial officer of Climax Management Company Limited (英發集團管理有限公司) from September 2007 to April 2009. Ms. Ho Wing Yan joined BMI Corporate Services Limited in July 2009 and is currently a manager of BMI Corporate Services Limited. Ms. Ho Wing Yan has extensive experiences in the company secretarial field for listed companies. Ms. Ho is currently the company secretary of Shanghai Jiaoda Withub Information Industrial Company Limited 上海交大慧谷信息產業股份有限公司 (stock code: 8205), Neo Telemedia Limited 中國新電信集團有限公司 (stock code: 8167), Global Dairy Holdings Limited 環球乳業控股有限公司 (stock code: 1007) and HL Technology Group Limited 泓淋科技集團有限公司 (stock code: 1087). Ms. Ho Wing Yan had not served any position in our Company prior to January 16, 2011.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2010.

CORPORATE REORGANIZATION AND INITIAL PUBLIC OFFERING

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

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

Details of group reorganization are set out in the prospectus of the Company dated 14 March 2011 (the "Prospectus").

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

PRINCIPAL ACTIVITIES

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

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2010 and the financial position of the Group as at 31 December 2010 are set out on pages 38 to 40 in the audited financial statements of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 December 2010.

USE OF PROCEEDS FROM THE LISTING

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

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Tuesday, 17 May 2011 to Friday, 20 May 2011 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the forthcoming Annual General Meeting of the Company, 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 at shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 16 May 2011.

REPORT OF THE DIRECTORS (Continued)

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements of the Group for the years ended 31 December 2007 and 2008, and from the audited consolidated financial statements of the Group for the years ended 31 December 2009 and 2010 on pages 38 to 40 in this annual report, is set out below:

Results

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

Assets and liabilities

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2010 are set out in Note 15 to the consolidated financial statements.

By comparing the valuation of the Group's property interests as set out in Appendix IV to the Prospectus, the net valuation surplus is approximately RMB701.76 million as compared to the carrying amounts of the Group's property interests as of 31 December 2010. According to the accounting policies of the Group, the valuation surplus of the Group's property interests are not incorporated in the Group's consolidated financial statements. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of approximately RMB13,453,000 would be incurred.

BANK AND OTHER BORROWINGS

Details of bank borrowings of the Group during the Year are set out in Note 28 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Movements in the Company's authorised or issued share capital during the year are set out below:

(a) As of the date of incorporation of the Company, its authorised share capital was US$50,000 divided into 50,000 shares of US$1.00 each and 100 shares were issued, of which 1 and 99 shares were allotted and issued to Offshore Incorporation (Cayman) Limited (as nominee) and Hongqiao Holdings, respectively. Offshore Incorporation (Cayman) Limited transferred the one share held by it to Hongqiao Holdings at the nominal value of US$1.00 on the same day.

(b) On 13 April 2010, the Company has agreed to issue and allot 9,900 shares to Hongqiao Holdings at a consideration of RMB3,193,921,000.

(c) On 7 June 2010, the par value of our shares has been changed from US$1.00 to US$0.01 and therefore, the shares held by Hongqiao Holdings increased to 1,000,000 shares from 10,000 shares.

The Company does not have any share option scheme.

REPORT OF THE DIRECTORS (Continued)

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and there is no stipulation that would oblige the Company to offer new shares on a pro rata basis to existing shareholders in respect of such rights.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2010 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 the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, were granted any right to subscribe for equity or debt securities of the Company or any other body corporate, nor had exercised any such right.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Since the shares of the Company have been listed on the Stock Exchange on 24 March 2011, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2010.

RESERVES

Details of change in the reserves of the Group during the year ended 31 December 2010 are in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Group's reserves amounted to approximately RMB7,302,472,000, of which RMB793,349,000 was capital reserve, RMB1,028,660,000 was statutory surplus reserve and RMB5,480,463,000 was retained earnings. As the Group's profits of RMB5,188,991,000 generated from 1 January 2008 up to 31 December 2010 will not be distributed in the foreseeable future, therefore, the Group's distributable reserves to shareholders as at 31 December 2010 is approximately RMB291,472,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2010, sales to the Group's five largest customers accounted for 73.7% of the Group's total sales for the year ended 31 December 2010, and sales to its largest customer accounted for 40.8% of the Group's total sales for the year ended 31 December 2010.

During the year ended 31 December 2010, purchases from the Group's five largest suppliers accounted for 69.3% of the Group's total purchases for the year ended 31 December 2010, and purchases from the Group's largest supplier accounted for 58.4% of the Group's total purchases for the year ended 31 December 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENTS OF DIRECTORS

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of the Company with reference to the Directors' duties, responsibilities and performance as well as the Group's results.

None of the Directors waived any emoluments during the Year.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date of the Company, which will continue until terminated by not less than one month's notice in writing served by either party on the other. Those appointments are subject to directors' retirement from office and retirement by rotation under the Articles of Associations. None of the Directors proposed for re-election at the forthcoming Annual General Meeting has entered into a service contract with the Company or any of its subsidiaries which does not expire or is not determinable by the Company within one year without payment of compensation other than statutory compensation.

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

Executive Directors:

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

Non-executive Directors:

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent non-executive Directors:

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

DIRECTORS AND SENIOR MANAGEMENT

The biographies of each of the Directors and senior management are set out on page 16 to page 20 in this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, directly or indirectly, in any contract which is significant in relation to the business of the Group to which the Company, its controlling companies or any of its subsidiaries was a party during the year ended 31 December 2010 and up to date of this annual report.

REPORT OF THE DIRECTORS (Continued)

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

As at the date of this annual report, so far as it is known to any Directors or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which were required to be entered in the register to be maintained by the Company pursuant to Section 336 of Part XV of the SFO as follows:

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

Notes:

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

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

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

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

As at 31 December 2010, there were no interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") as the Company was not listed on the Stock Exchange on that date.

As at the date of this annual report, the Directors or chief executive of the Company and their respective associates had the following interests in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the shares of the Company:

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

Notes:

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

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

Save as disclosed above, as at the date of this annual report, none of the Directors or the chief executive of the Company had an interest or short position 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) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions7 and 8 of Part XV of the SFO (including those interests or short positions they are taken or deemed to have under such provisions of the SFO); or entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS (Continued)

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 2010.

CONTINUING CONNECTED TRANSACTIONS

As the Company was listed on 24 March 2011, and therefore the relevant provisions under Chapter 14A of the Listing Rules regarding connected transactions were not applicable to the Company. For details of the transactions between the Company and relevant connected persons, see the section headed "Connected Transactions" in the Prospectus.

PENSION SCHEME

Details of the pension scheme of the Group are set out in Note 38 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 40 to the consolidated financial statements.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company confirmed that each of the Directors has complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2010.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

The Company has applied the principles of the Code of Corporate Governance Practices (the "CG Code') as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As the Company has not been listed on the Stock Exchange during the Period under Review, the CG Code was not applicable to the Company. The Company has been in compliance with the code provisions of CG Code since the listing date.

SUFFICIENCY OF PUBLIC FLOATING

Pursuant to the information that is publicly available to the Company and so far as the Directors are aware, the Company has maintained the public floating as approved by the Stock Exchange and as permitted under the Listing Rules as at the date this annual report.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with the Code of Best Practices for the purpose 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 25 March 2011 to review the Group's annual report and financial statements.

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu was the Company's international auditors for the year ended 31 December 2010. A resolution for the reappointment of Deloitte Touche Tohmatsu as the international auditors of the Company will be proposed at the Annual General Meeting 2010.

On Behalf of the Board of Directors
ZHANG Shiping
Chairman
Shandong, the PRC
30 March 2011

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company believes that good corporate governance can create values for the shareholders of the Company. The Board is committed to keeping the standards of corporate governance within the Company and to ensuring that the Company conducts its business in an honest and responsible manner. As the shares of the Company were not listed on the Stock Exchange during the Period under Review, the CG Code was not applicable to the Company for such period. As from the listing date, the Company has complied with the code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code for securities transactions on terms equivalent to the required standard of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries with the Directors, the Company confirmed that each of the Directors has complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2010.

THE BOARD OF DIRECTORS

As at 31 December 2010, the Board of the Company comprised four executive Directors, two non-executive Directors and three independent non-executive Directors.

The Board members are as follows:

Executive Directors

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

Non-executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-executive Directors

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

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

Responsibilities

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

Delegation of Management Function

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

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

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and work tasks are periodically reviewed.

Appointment and re-election of directors

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

Each of the directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than one month's notice in writing served by either the executive directors or the Company. The appointments are subject to the provisions of retirement and rotation of directors under the articles of association.

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

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Code provision A.1.1 prescribes that at least 4 regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

CORPORATE GOVERNANCE REPORT (Continued)

As the shares of the Company were listed on 24 March 2011, the Code provision mentioned above was not applicable to the Company during the Period under Review. After listed on the Stock Exchange, the Company has adopted the practice of holding board meetings regularly for at least four times a year at approximately quarterly intervals.

PRACTICES AND CONDUCT OF MEETINGS

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

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

The senior management including Chief Executive Officer and Chief Financial Officer attend all regular Board meetings and where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company. The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

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

TERMS OF OFFICE OF DIRECTORS

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

SUBORDINATE COMMITTEES OF THE BOARD

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

A. AUDIT COMMITTEE

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

The composition of the Audit Committee

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

Roles and functions

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

The Company's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee.

Minutes of meetings

The Audit Committee was established on 16 January 2011, it did not hold any meeting during the year ended 31 December 2010.

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

Roles and functions

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

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

CORPORATE GOVERNANCE REPORT (Continued)

C. NOMINATION COMMITTEE

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

As the Nomination Committee was established on 16 January 2011, it did not hold any meeting during the year ended 31 December 2010.

The Nomination Committee reviews the structure, size and composition of the Board regularly to ensure that the Board has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made with all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2010.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

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

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

EXTERNAL AUDITORS

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

During the year, the remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2010 amounted to RMB1,950,000.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

SHAREHOLDERS' RIGHTS

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

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

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

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

Contact Person: Wang Donghua
Tel: 86-21-64031496
Postal Address: 1 Floor, No.94 Wuxing Road,
Shanghai, the PRC
Postal code: 200231

INVESTORS RELATIONS

The Company maintains a two-way communication channel to report the performance of the Company to its shareholders and investors. Annual reports, accounts and interim reports containing full details of the Company's activities will be despatched to shareholders and investors. Annual reports of the Company can be accessed on the website of the Hong Kong Stock Exchange. The Company also communicates and discloses its latest business development plan via road shows, seminars with institutional investors and analysts, and telephone conferences.

To ensure effective disclosures are made to shareholders and investors, and to ensure the same information is made available to the public at the same time, price sensitive information will be released in the form of official announcements in accordance with the Listing Rules.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 104, which comprise the consolidated statement of financial position of the Group as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been property prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Continuing operations			
Revenue	5	**15,131,591**	8,668,428
Cost of sales		**(9,389,722)**	(7,769,098)
Gross profit		**5,741,869**	899,330
Other income and gain and loss	6	**210,535**	97,216
Distribution and selling expenses		**(19,977)**	(40,961)
Administrative expenses		**(112,038)**	(92,335)
Finance costs	7	**(192,990)**	(89,243)
Other expenses	8	**(42,815)**	–
Profit before taxation	8	**5,584,584**	774,007
Income tax expense	11	**(1,395,868)**	(196,924)
Profit for the year from continuing operations		**4,188,716**	577,083
Discontinued operations			
Profit (loss) for the year from discontinued operations	12	**31,515**	(9,441)
		4,220,231	567,642
Profit and total comprehensive income attributable to			
Owners of the Company		**4,195,738**	556,289
Non-controlling interests		**24,493**	11,353
		4,220,231	567,642
Earnings per share			
From continuing and discontinued operations			
Basic	13	**0.84**	0.11
From continuing operations			
Basic	13	**0.83**	0.11
From discontinuing operations			
Basic	13	**0.01**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	15	**8,111,661**	5,591,784
Prepaid lease payments – non-current portion	16	**153,129**	–
Deferred tax assets	18	**40,231**	12,124
Deposits paid for acquisition of property, plant and equipment		**120,314**	312,889
		8,425,335	5,916,797
Current assets			
Inventories	19	**1,122,100**	548,360
Trade receivables	20	**3,716**	44,416
Bills receivable	21	**882,570**	763,370
Prepayments and other receivables	22	**156,741**	15,377
Amounts due from related parties	36(c)	**–**	153,756
Prepaid lease payments – current portion	16	**3,015**	–
Tax recoverable		**–**	97,790
Restricted bank deposits	23	**82,650**	760,646
Bank balances and cash	23	**2,669,569**	443,133
		4,920,361	2,826,848
Financial assets contracted for			
Alumina Production Business	36(b)(ii)	**–**	1,029,762
Assets classified as held for sale	12(B)	**–**	1,613,854
		4,920,361	5,470,464
Current liabilities			
Trade payables	24	**1,045,906**	394,346
Bills payable	25	**–**	310,000
Other payables	26	**805,425**	848,059
Amounts due to related parties	36(c)	**–**	3,556,479
Income tax payable		**157,974**	–
Bank borrowings – due within one year	28	**72,850**	929,173
		2,082,155	6,038,057

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

As at 31 December 2010

	Notes	**2010** **RMB'000**	2009 RMB'000
Financial liabilities contracted for Alumina Production Business	36(b)(ii)	**–**	1,105,843
Liabilities associated with assets classified as held for sale	12(B)	**–**	980,551
		2,082,155	8,124,451
Net current assets (liabilities)		**2,838,206**	(2,653,987)
Total assets less current liabilities		**11,263,541**	3,262,810
Capital and reserves			
Paid-in capital/share capital	29	**69**	114,398
Reserves		**7,302,472**	2,970,143
Equity attributable to owners of the Company		**7,302,541**	3,084,541
Non-controlling interests		**–**	62,950
Total equity		**7,302,541**	3,147,491
Non-current liabilities			
Bank borrowings – due after one year	28	**3,961,000**	115,319
		11,263,541	3,262,810

The consolidated financial statements on pages 38 to 104 were approved and authorised for issue by the Board of Directors on 30 March 2011 and are signed on its behalf by:

Zhang Bo
Executive Director

Qi Xingli
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company						
	Paid-in capital/share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (Note iii)	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2009	114,398	–	473,595	1,940,259	2,528,252	51,597	2,579,849
Profit and total comprehensive income for the year	–	–	–	556,289	556,289	11,353	567,642
Transfer to reserves	–	–	124,197	(124,197)	–	–	–
At 31 December 2009	114,398	–	597,792	2,372,351	3,084,541	62,950	3,147,491
Profit and total comprehensive income for the year	–	–	–	4,195,738	4,195,738	24,493	4,220,231
Issue of shares	1	–	–	–	1	–	1
Capitalization of retained earnings	656,758	–	–	(656,758)	–	–	–
Reorganisation (Note i)	(771,088)	771,088	–	–	–	–	–
Acquisition of additional interests in a subsidiary (Note ii)	–	22,261	–	–	22,261	(87,443)	(65,182)
Transfer to reserves	–	–	430,868	(430,868)	–	–	–
At 31 December 2010	69	793,349	1,028,660	5,480,463	7,302,541	–	7,302,541

Notes:

(i) As part of the reorganisation as defined in Note 1, Hongqiao Investment (Hong Kong) Limited ("Hongqiao Hong Kong") acquired 100% interest in Shandong Hongqiao New Material Co., Ltd. ("Shandong Hongqiao") in March 2010 and the Company became the holding company of the Group. The amount payable of RMB3,193,921,000 by the Group to its then shareholders, Profit Long Investment Limited ("Profit Long Investment"), for the acquisition of the 98% interest in Shandong Hongqiao is regarded as a deemed distribution to shareholders since the financial statements have been prepared as if the Company had been the holding company of Shandong Hongqiao throughout each of the two years ended 31 December 2010. The amount was subsequently settled in April 2010 by issuance of 9,900 shares by the Company to its parent China Hongqiao Holdings Limited ("Hongqiao Holdings").

(ii) The amount of RMB22,261,000 credited under capital reserve represents the difference between the fair value of the consideration paid and the carrying amount of the net assets attributable to the 2% interest in Shandong Hongqiao being acquired from 山東魏橋創業集團有限公司 ("Chuangye Group") (see Note 36(a) for its relationship with the Group), its then non-controlling shareholder, as set out in Note 1.

(iii) 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 PRC GAAP to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
OPERATING ACTIVITIES			
Profit for the year		**4,220,231**	567,642
Adjustments for:			
Interest income		**(8,639)**	(8,808)
Income tax expense		**1,395,868**	233,748
Finance costs		**198,108**	106,824
Depreciation of property, plant and equipment		**598,813**	415,807
Amortisation of intangible assets		**–**	123,628
Amortisation of prepaid lease payments		**2,268**	569
Loss on disposal of property, plant and equipment		**–**	555
Gain on disposal of a subsidiary		**(6,620)**	–
Gain on disposal of Dyeing Business		**(24,895)**	–
Release of deferred income in relation to government grants		**–**	(1,145)
Operating cash flows before movements in working capital		**6,375,134**	1,438,820
(Increase) decrease in inventories		**(575,723)**	128,209
Decrease in receivables, deposits and prepayments		**675,595**	1,113,621
Decrease in payables, deposits received and accrued charges		**(534,331)**	(518,388)
Cash generated from operations		**5,940,675**	2,162,262
Income tax paid		**(1,168,211)**	(238,687)
Net cash generated from operating activities		**4,772,464**	1,923,575
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and deposit for acquisition of property, plant and equipment		**(2,715,082)**	(850,151)
Addition to prepaid lease payments		**(123,730)**	(39,754)
Proceeds on disposal of property, plant and equipment		**–**	944
Acquisition of a subsidiary	32	**(176,013)**	–
Interest received		**8,639**	8,808
Disposal of a subsidiary	33	**514,188**	–
Decrease (increase) in restricted bank deposits		**677,996**	(592,537)
Net cash used in investing activities		**(1,814,002)**	(1,472,690)

CONSOLIDATED STATEMENT OF CASH FLOW
(Continued)
For the year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		**4,334,441**	1,256,508
Repayment of bank borrowings		**(1,394,083)**	(1,084,373)
Issue of shares		**1**	–
Acquisition of additional interests in a subsidiary		**(65,182)**	–
Interest paid		**(198,108)**	(126,610)
Advance from related parties		**4,470,837**	8,872,087
Repayment to related parties		**(7,965,744)**	(8,957,501)
New other borrowings raised		**71,831**	–
Repayment to other borrowings		**(71,831)**	–
Net cash used in financing activities		**(817,838)**	(39,889)
Net increase in cash and cash equivalents		**2,140,624**	410,996
Cash and cash equivalents at beginning of the year		**528,945**	117,949
Cash and cash equivalents at end of the year, represented by bank balances and cash		**2,669,569**	528,945
Comprised of:			
Cash and cash equivalents		**2,669,569**	443,133
Cash and cash equivalents classified as assets held for sale		**–**	85,812
Total cash and cash equivalents		**2,669,569**	528,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 9 February 2010 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 24 March 2011. Its parent and ultimate holding company is Hongqiao Holdings, incorporated in the British Virgin Island ("BVI"). The registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" to the annual report.

Prior to the reorganisation as described below (the "Reorganisation"), the operations of manufacture and sales of aluminum products and other businesses were carried out by Shandong Hongqiao and its subsidiaries. Shandong Hongqiao and its subsidiaries were also engaged in the business of manufacture and sales of dyed fabric and yarn-dyed denim ("Dyeing Business"), manufacture and sales of caustic soda products ("Marine Chemical Business") and acted an agent for the manufacture and sale of alumina for Chuangye Group ("Alumina Agency Business") which were discontinued since 4 January 2010, 1 January 2010 and 31 December 2009, respectively, and the details of which are explained further in Note 12.

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

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows are prepared as if the Company had been the holding company of Shandong Hongqiao throughout both years. The consolidated statement of financial position as at 31 December 2009 presents the assets and liabilities of the companies now comprising the Group as at that date as if the Company had been the holding company of Shandong Hongqiao at that date. The 98% interests in Shandong Hongqiao held by Profit Long Investment, a company controlled by Mr. Zhang Shiping ("Mr. Zhang") through trust arrangements entered into since 2006, whereby Mr. Zhang has nominated two persons to hold the entire equity interests in Profit Long Investment on his behalf, was accounted for as equity attributable to owners of the Company when Shandong Hongqiao was consolidated by the Group using the principle of merger accounting for business combination under common control during both years. The remaining 2% interests in Shandong Hongqiao held by Chuangye Group was presented as non-controlling interests up to the date, when the 2% equity interest of Shandong Hongqiao was transferred to the Group as detailed in the preceding paragraph. Pursuant to certain share transfer arrangements entered into in February 2010, Mr. Zhang has become the legal owner of the entire equity interests in Profit Long Investment.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the group entities operate (the functional currency of group entities).

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

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

The International Accounting Standards Board ("IASB") issued a number of new and revised International Accounting Standards ("IAS"), IFRSs and the related Interpretations ("IFRICs") (hereinafter collectively referred to as "new IFRSs", which are effective for the Group's financial year beginning on 1 January 2010. The Group has applied the new IFRSs since the financial year beginning on 1 January 2007, except for IFRS 3 (revised 2008), which has been applied for business combination for which the acquisition date is on or after 1 January 2010 and IAS 27 (revised 2008) which has been applied for accounting period beginning on 1 January 2010.

The Group applies IFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for the Group's changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

The application of IFRS 3 (Revised) and IAS 27 (Revised) has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

Results of the Group in future periods may be affected by future transactions to which IFRS 3 (Revised) and IAS 27 (Revised) and the consequential amendments to other HKFRSs are applicable.

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective:

IFRSs

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[5]
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[5]
IFRS 9	Financial Instruments[7]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[3]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the year ended 31 December 2010

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

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 February 2010
[3] Effective for annual periods beginning on or after 1 July 2010
[4] Effective for annual periods beginning on or after 1 January 2011
[5] Effective for annual periods beginning on or after 1 July 2011
[6] Effective for annual periods beginning on or after 1 January 2012
[7] Effective for annual periods beginning on or after 1 January 2013

IFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 *Financial Instruments* (as revised in October 2010) adds requirements for financial liabilities and for derecognition.

- Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at fair values at the end of subsequent accounting periods.

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidation financial statements have been prepared on the historical cost basis and in accordance with accounting policies set out below. The consolidation financial statements have been prepared in accordance with the following accounting policies which confirm with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

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

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

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

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

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

Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. From 1 January 2010, total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations not under common control

Business combinations for which the acquisition date is prior to 1 January 2010

The acquisition of subsidiaries, other than common control combinations, is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations not under common control (Continued)

Business combinations for which the acquisition date is prior to 1 January 2010 (Continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combinations for which the acquisition date is on or after 1 January 2010

Acquisitions of subsidiaries and businesses, other than common control combinations, are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations not under common control (Continued)

Business combinations for which the acquisition date is on or after 1 January 2010 (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards with the share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; 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.

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

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as at the acquisition date – and is subject to a maximum of one year.

The interests of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition by acquisition basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations not under common control (Continued)

Business combinations for which the acquisition date is on or after 1 January 2010 (Continued)

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

Changes in the ownership interest in subsidiary after 1 January 2010

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured 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 Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). 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 IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets'(disposal groups') previous carrying amount and fair value less costs to sell.

Revenue recognition

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

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

Service income is recognised when the services are provided.

Revenue from steam supply is recognised when steam is provided.

Deposits received from customers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

An item of property, plant and equipment is derecognized 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

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. 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, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

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

The Group as lessor

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

The Group as lessee

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

Foreign currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

3. 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 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 received 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 on initial recognition.

Retirement benefit costs

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets acquired separately and 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 provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the period when the asset is derecognised.

Inventories

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets

At the end of each 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. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified as loan and receivables.

Loan and receivables

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

Effective interest method

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

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

Impairment of financial assets

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

Objective evidence of impairment for loan and receivables could include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including bank borrowings, trade payables, bills payable, other payables and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. 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.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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For the year ended 31 December 2010

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of receivables

Trade receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures which have been in place to monitor this risk. In estimating whether allowance for bad and doubtful debts is required, the Group takes into consideration the ageing status and the likelihood of collection. Following the identification of doubtful debts, the responsible sales personnel discuss with the relevant customers and report on the recoverability. When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trade and other receivables excluded those contracted for Alumina Production Business are approximately RMB887,004,000 (2009: RMB866,922,000). Details of trade receivables and other receivables are disclosed in Notes 12, 20, 21 and 22 respectively.

Estimated impairment of inventories

The Group's management assesses periodically whether the inventories have been suffered from any impairment based on estimate on the net realisable value of the inventory. For different types of inventories, it requires the exercise of accounting estimates on selling price, costs of conversion, selling expenses and related tax expense 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 2010, the carrying amount of inventories are approximately RMB1,122,100,000 (2009: RMB615,779,000) as disclosed in Notes 12 and 19.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Useful lives and residual value of property, plant and equipment

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

Impairment of property, plant and equipment

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

At 31 December 2010, the directors of the Company are satisfied that there is no indication that property, plant and equipment has suffered an impairment loss. As at 31 December 2010, the carrying amount of property, plant and equipment are approximately RMB8,111,661,000 (2009:RMB6,794,648,000) as disclosed in Notes 12 and 15.

5. REVENUE AND SEGMENT INFORMATION

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

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the board of directors, the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance, includes only revenue analysis by products and does not contain gross profit information of each product line and the board of directors reviewed the gross profit of the Group as a whole reported under PRC GAAP, the segment result, which has no significant differences as compared with gross profit reported under IFRS. It was determined that the Group has only one single reportable segment, being the manufacture and sales of aluminum products. As a result, no segment information other than the entity-wide disclosure is presented.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from						
Sales of goods						
Aluminum products						
– molten aluminum alloy	**12,204,082**	5,334,467	**–**	–	**12,204,082**	5,334,467
– aluminum alloy ingots	**2,183,065**	3,243,692	**–**	–	**2,183,065**	3,243,692
– aluminum busbars	**66,786**	90,269	**–**	–	**66,786**	90,269
Dyed fabric and yarn-dyed denim products	**–**	–	**–**	1,344	**–**	1,344
Caustic soda products	**–**	–	**–**	248,533	**–**	248,533
Steam supply income	**677,658**	–	**–**	–	**677,658**	–
Rendering of services						
Management fee income	**–**	–	**–**	154,982	**–**	154,982
	15,131,591	8,668,428	**–**	404,859	**15,131,591**	9,073,287

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

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

	2010	2009
	RMB'000	RMB'000
Customer A	**3,351,194**	1,737,187
Customer B	**6,180,228**	1,213,924
Customer C	**–**	1,180,138

6. OTHER INCOME AND GAIN AND LOSS

	2010 RMB'000	2009 RMB'000
Continuing operations		
Interest income	**8,639**	8,714
Net gain (loss) on sales of raw materials (Note)	**19,889**	(26,340)
Revenue from sales of slag of carbon anode blocks	**143,257**	97,835
Rental income	**27**	202
Foreign exchange gains (losses), net	**156**	(1,191)
Others	**38,567**	17,996
	210,535	97,216

Note:

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

	2010 RMB'000	2009 RMB'000
Revenue from sales of raw materials		
– coal	**–**	432,881
– other materials and accessories	**36,623**	29,609
Expenses related to sales of raw materials	**(16,734)**	(488,830)
	19,889	(26,340)

7. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Continuing operations		
Interest expenses on bank borrowings		
– wholly repayable within five years	**198,108**	42,383
Interest expenses on payable to a related party (Note 36(b))	**–**	38,505
Other interest expenses reimbursed to a supplier (Note 21(i))	**–**	8,355
Less: Amount capitalised under construction in progress	**(5,118)**	–
	192,990	89,243

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6.5% (2009: Nil) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

8. PROFIT BEFORE TAXATION

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

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Staff cost:						
Directors' emoluments (Note 9)	**213**	57	**–**	–	**213**	57
Other staff costs:						
– Wages and salaries	**304,295**	191,019	**–**	11,982	**304,295**	203,001
– Retirement benefit schemes contributions	**13,201**	14,813	**–**	384	**13,201**	15,197
Total staff costs	**317,709**	205,889	**–**	12,366	**317,709**	218,255
Auditors' remuneration	**2,070**	100	**–**	80	**2,070**	180
Depreciation of property, plant and equipment	**598,813**	392,594	**–**	23,213	**598,813**	415,807
Amortisation of intangible assets (included in cost of sales)	**–**	11,743	**–**	111,885	**–**	123,628
Loss on disposal of property, plant and equipment (included in administrative expenses)	**122**	555	**–**	–	**122**	555
Cost of inventories recognised as an expense	**9,297,420**	7,713,107	**–**	237,631	**9,297,420**	7,950,738
Amortisation of prepaid lease payments	**2,268**	–	**–**	569	**2,268**	569
Government grants credited to income	**–**	–	**–**	(1,145)	**–**	(1,145)
Other expenses (Note)	**42,815**	–	**–**	–	**42,815**	–

Note: Other expenses mainly included listing expenses.

9. DIRECTORS' EMOLUMENTS

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

	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Discretionary bonus RMB'000	Total RMB'000
Year ended 31 December 2010					
Executive directors					
Mr. Zhang	–	33	–	–	33
Zheng Shuliang	–	34	–	–	34
Zhang Bo	–	44	4	–	48
Qi Xingli	–	37	4	–	41
Sub-total	–	148	8	–	156
Non-executive directors					
Yang Congsen	–	53	4	–	57
Zhang Jinglei	–	–	–	–	–
Sub-total	–	53	4	–	57
Independent non-executive directors					
Xing Jian	–	–	–	–	–
Chen Yinghai	–	–	–	–	–
Han Benwen	–	–	–	–	–
Sub-total	–	–	–	–	–
Total	–	201	12	–	213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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9. DIRECTORS' EMOLUMENTS (Continued)

	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Discretionary bonus RMB'000	Total RMB'000
Year ended 31 December 2009					
Executive directors					
Mr. Zhang	–	–	–	–	–
Zheng Shuliang	–	–	–	–	–
Zhang Bo	–	–	–	–	–
Qi Xingli	–	–	–	–	–
Sub-total	–	–	–	–	–
Non-executive directors					
Yang Congsen	–	47	10	–	57
Zhang Jinglei	–	–	–	–	–
Sub-total	–	47	10	–	57
Independent non-executive directors					
Xing Jian	–	–	–	–	–
Chen Yinghai	–	–	–	–	–
Han Benwen	–	–	–	–	–
Sub-total	–	–	–	–	–
Total	–	47	10	–	57

All the executive directors and Mr. Zhang Jinglei hold certain positions in Chuangye Group or its subsidiaries and their remuneration were borne by Chuangye Group or its subsidiary for in 2009 and up to certain dates as disclosed below. It is not practical to allocate their remuneration to the Group and Chuangye Group and its subsidiaries.

As represented by the management of the Company, Ms. Zheng Shuliang ("Ms. Zheng"), Mr. Zhang Bo and Mr. Qi Xingli began to receive their emoluments from Shandong Hongqiao since April 2010 and Mr. Zhang began to receive his emolument from Shandong Hongqiao since June 2010 and Mr. Zhang Jinglei will start to receive his emolument from Shandong Hongqiao upon the listing of the Company's shares on the Stock Exchange ("the Listing").

10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the five highest paid individuals included one director (2010: Nil) for the year ended 31 December 2009, whose emoluments are disclosed in Note 9 above. The emoluments of the remaining five (2009: four) highest paid individuals for the year ended 31 December 2010 are as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other allowances	293	183
Retirement benefits scheme contributions	20	41
	313	224

Their emoluments were within the following bands:

	Number of employees	
	2010 RMB'000	2009 RMB'000
Nil to HK$1,000,000	5	4

During both years, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

11. INCOME TAX EXPENSES

	2010 RMB'000	2009 RMB'000
Continuing operations		
The charge comprises:		
Current tax		
Enterprise income tax in Mainland China	1,423,350	178,970
Under provision in prior years	625	–
Deferred tax (credit) charge (Note 18)	(28,107)	17,954
	1,395,868	196,924

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

Under the Law of People's Republic of China on Enterprise Income Tax ("the New EIT Law") and Implementation Regulation of the New EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

11. INCOME TAX EXPENSES (Continued)

In addition, the new EIT Law provides that qualified dividend income between two "PRC-resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law.

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

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

	2010 RMB'000	2009 RMB'000
Profit before taxation from continuing operations	**5,584,584**	774,007
Tax at the PRC income tax rate of 25% (2009: 25%)	**1,396,146**	193,502
Tax effect of expenses not deductible	**429**	3,422
Tax effect of tax losses not recognised	**1,091**	–
Utilisation of tax losses previously not recognised	**(2,423)**	–
Under provision in respect of prior years	**625**	–
Tax charge for the year relating to continuing operations	**1,395,868**	196,924

12. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

(A) Discontinued operations

The Dyeing Business, Marine Chemical Business and Alumina Agency Business are discontinued and their results are presented as discontinued operations in the financial statements:

(a) On 28 December 2009, the Company's subsidiary, Shandong Hongqiao entered into a share transfer framework agreement with 山東慧濱棉紡漂染有限公司 ("Huibin Dyeing", a company controlled by Mr. Zhang), Binzhou Marine Chemical Co., Ltd. ("Marine Chemical"), Profit Long Investment and Chuangye Group, to dispose of the entire equity interest of Marine Chemical to Huibin Dyeing. In accordance with the agreement, the power to govern the financial and operating activities of Marine Chemical was passed to Huibin Dyeing by Shandong Hongqiao from 1 January 2010 and the Group has since ceased its control over Marine Chemical and the share transfer agreement was signed subsequently on 25 February 2010 after Profit Long Investment completed its acquisition of the 100% equity interest of Huibin Dyeing, a condition precedent to completion of the transaction. Pursuant to the confirmation letter signed by Shandong Hongqiao, Huibin Dyeing, Marine Chemical, Profit Long Investment and Chuangye Group dated 1 January 2010, all the rights and obligations pertinent to the entire equity interest in Marine Chemical have been assumed by Huibin Dyeing. At 31 December 2009, the assets and liabilities of Marine Chemical are reclassified as assets and liabilities held for sale (see below (B) Non-current assets held for sale). The Group has recorded a gain of RMB6,620,000 in the current year on the sale of Marine Chemical (see Note 33).

Marine Chemical commenced its operation from May 2009.

12. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (Continued)

(A) Discontinued operations (Continued)

(b) The Company's subsidiary, Shandong Hongqiao, disposed of its Dyeing Business, effective 4 January 2010 to Chuangye Group by exchanging of the assets and liabilities attributable to the Dyeing Business with a then fair value of approximately RMB35,420,000 and a cash consideration of approximately RMB1,154,277,000 to be paid by Shandong Hongqiao, for all the property, plant and equipment attributable to the aluminum business of Chuangye Group (excluding the land on which such production lines were located as the acquisition of such leasehold land is effected through separate land purchase agreements as detailed in Note 36(b)(iii)) with a then fair value of RMB1,189,697,000, which resulted a gain of RMB24,895,000 in the current year on disposal of Dyeing Business. As such, the financial results of Dyeing Business in current year and prior year were presented as discontinued operations retrospectively. The transaction is accounted for as exchange of assets.

The decision to dispose of Dyeing Business has not yet been finalised by the management as at 31 December 2009. As a result, the assets and liabilities of Dyeing Business did not satisfy the definition of non-current assets held for sale as at 31 December 2009 under IFRS 5.

The assets and liabilities of the Dyeing Business as at 31 December 2009 are as follows:

	RMB'000
Property, plant and equipment	10,938
Inventories	1,983
Trade receivables due from related parties	7
Total assets	12,928
Trade payables due to third parties	38
Trade payables due to related parties	1,746
Other payables	560
Total liabilities	2,344

The revenue of Dyeing Business in 2009 arose from one-off sales to Chuangye Group, which was incidental.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (Continued)

(A) Discontinued operations (Continued)

(c) On 25 May 2006, the Company's subsidiary, Shandong Weiqiao Aluminum Power Co., Ltd ("Aluminum & Power"), entered into an agency agreement with Chuangye Group to operate the business of alumina owned by Chuangye Group on behalf of Chuangye Group for the period from 26 May 2006 to 31 December 2009. This Alumina Agency Business arrangement was expired on 31 December 2009, further details are disclosed in Note 36(b)(ii).

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

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

	Year ended 31 December 2009			
	Dyeing business RMB'000	Marine chemical business RMB'000	Alumina agency business RMB'000	Total RMB'000
Revenue				
– sales of goods	1,344	248,533	–	249,877
– management fee income (Note 36(b))	–	–	154,982	154,982
Sales tax	–	–	(8,369)	(8,369)
Cost of sales/services (Note i)	(1,315)	(236,315)	(111,885)	(349,515)
Other income	47	10,608	–	10,655
Distribution and selling expenses	–	(1,273)	–	(1,273)
Administrative expenses	(973)	(10,420)	–	(11,393)
Finance costs (Note ii)	–	(17,581)	–	(17,581)
(Loss)profit before taxation	(897)	(6,448)	34,728	27,383
Income tax expense	–	(171)	(36,653)	(36,824)
Loss for the year	(897)	(6,619)	(1,925)	(9,441)
Loss for the year attributable to				
Owners of the Company	(879)	(6,486)	(1,887)	(9,252)
Non-controlling interests	(18)	(133)	(38)	(189)
	(897)	(6,619)	(1,925)	(9,441)

12. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (Continued)

(A) Discontinued operations (Continued)

Notes:

(i) The cost of services related to Alumina Agency Business represented the amortisation of intangible assets (see Note 17).

(ii) Borrowing costs capitalised in Marine Chemical Business in 2009 arose on the general borrowing pool amounting to RMB19,786,000 and were calculated by applying capitalisation rates ranging from 5.76% to 9.01% per annum to expenditure on qualifying assets.

(B) Non-current assets held for sale

The assets and liabilities of the Marine Chemical Business as at 31 December 2009, which have been presented separately in the consolidated statement of financial position, are as follows:

	At 31 December 2009 RMB'000
Property, plant and equipment	1,202,864
Prepaid lease payments (Note i)	50,212
Inventories	67,419
Trade receivables	8,033
Bills receivable	33,316
Prepayments and other receivables	22,466
Amounts due from related parties	116,226
Restricted bank deposits	27,506
Bank balances and cash	85,812
Total assets classified as held for sale	1,613,854
Trade payables	133,737
Bills payable	50,000
Other payables	33,226
Amounts due to related parties	90,362
Income tax payable	171
Bank borrowings (Note ii)	663,000
Deferred income	10,055
Total liabilities associated with assets classified as held for sale	980,551

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(Continued)
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12. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE (Continued)

(B) Non-current assets held for sale (Continued)

Notes:

(i) Marine Chemical is in the process of obtaining the land use rights certificates for land with an carrying value of RMB21,636,000. The directors of the Company are of the opinion that Marine Chemical has obtained beneficial interest in the land use rights.

(ii)

	At 31 December 2009 RMB'000
Unsecured bank borrowings	663,000
Included in the unsecured bank borrowings, the balance of borrowings which are guaranteed by	
– related party	663,000
The total borrowings are repayable as follows:	
Within one year	223,000
In the second year	60,000
In the third year	130,000
In the fourth year	130,000
In the fifth year	120,000
Less: Amount due for settlement within one year and shown under current liabilities	223,000
Amount due after one year	440,000
Total borrowings	
– at fixed rates	140,000
– at floating rates	523,000
	663,000
Analysis of borrowings by currency:	
– denominated in RMB	663,000

Fixed interest rate borrowings are charged at the prevailing market rate of 5.84% per annum as at 31 December 2009.

Interest on borrowings at floating rates is calculated based on the borrowing rates announced by the People's Bank of China.

The effective weighted average annual rate for the years ended 31 December 2009 was 7.88% per annum.

13. EARNINGS PER SHARE

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

	2010 RMB'000	2009 RMB'000
Profit for the year from continuing and discontinued operations attributable to owners of the Company	**4,195,738**	556,289
Profit for the year from continuing attributable to owners of the Company	**4,164,853**	565,541
Profit (loss) for the year from discontinued operations attributable to owners of the Company	**30,885**	(9,252)

	2010 '000 shares	2009 '000 shares
Number of shares	**5,000,000**	5,000,000

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue on 24 March 2011 as disclosed in Note 40(a) as if the shares had been in issue throughout both years.

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

14. DIVIDENDS

No dividends were declared or paid during both years.

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15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2009	1,153,991	3,491,298	12,504	1,607	2,055,700	6,715,100
Additions	–	593,878	308	946	494,012	1,089,144
Transfers	1,290,626	770,669	961	–	(2,062,256)	–
Disposals	–	(1,884)	–	–	–	(1,884)
Reclassified as held for sale	(630,939)	(475,997)	(1,268)	(483)	(116,689)	(1,225,376)
At 31 December 2009	1,813,678	4,377,964	12,505	2,070	370,767	6,576,984
Additions	392,236	923,328	5,941	569	1,627,402	2,949,476
Acquired on acquisition of a subsidiary (Note 32)	–	–	–	29	180,065	180,094
Transfers	327,303	1,533,962	–	–	(1,861,265)	–
Disposals	(7,643)	(107,327)	–	–	–	(114,970)
At 31 December 2010	**2,525,574**	**6,727,927**	**18,446**	**2,668**	**316,969**	**9,591,584**
DEPRECIATION						
At 1 January 2009	97,934	492,634	1,504	218	–	592,290
Provided for the year	108,664	305,539	1,219	385	–	415,807
Eliminated on disposals	–	(385)	–	–	–	(385)
Reclassified as held for sale	(8,778)	(13,690)	(31)	(13)	–	(22,512)
At 31 December 2009	197,820	784,098	2,692	590	–	985,200
Provided for the period	195,196	401,780	1,416	421	–	598,813
Eliminated on disposal	(1,869)	(102,221)	–	–	–	(104,090)
At 31 December 2010	**391,147**	**1,083,657**	**4,108**	**1,011**	**–**	**1,479,923**
CARRYING AMOUNT						
At 31 December 2010	**2,134,427**	**5,644,270**	**14,338**	**1,657**	**316,969**	**8,111,661**
At 31 December 2009	1,615,858	3,593,866	9,813	1,480	370,767	5,591,784

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

Buildings	3%-9.5%
Plant and machinery	6.79%-13.57%
Motor vehicles	9.5-9.6%
Furniture, fixtures and equipment	9.5%-19.2%

16. PREPAID LEASE PAYMENTS

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

	RMB'000
At 1 January 2009	11,027
Additions	39,754
Released	(569)
Reclassified as held for sale	(50,212)
At 31 December 2009	–
Additions	123,730
Acquired on acquisition of a subsidiary (Note 32)	34,682
Released	(2,268)
At 31 December 2010	156,144

	2010 RMB'000	2009 RMB'000
Prepaid lease payments related to land use rights analysed for reporting purposes as:		
Current assets	**3,015**	–
Non-current assets	**153,129**	–
	156,144	–

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

As 31 December 2010, the Group has pledged land use right with a carrying value of approximately RMB33,177,000 (2009: Nil) to secure the banking facilities of RMB17,000,000 (2009: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

17. INTANGIBLE ASSETS

In 2006, the Group acquired the entire equity interest in Shandong Weiqiao Aluminum Power Co., Ltd ("Aluminum & Power") (which was accounted for as acquisition of assets) from Chuangye Group, 山東士平投資有限公司, 山東潤波投資有限公司 and 山東潤霞投資有限公司 (see Note 36(a) for their relationships with the Group), and intangible assets were recognised in the cost allocation of such acquisition. The intangible assets represented the value of the agency agreement in connection with the Alumina Agency Business, entered into by Chuangye Group and Aluminum & Power in May 2006, which included Aluminum & Power's right to receive management fee income from Chuangye Group and Aluminum & Power's cost saving, representing the difference between the market price and the purchase price of alumina to be supplied by Chuangye Group at cost pursuant to the terms of the agency agreement. The directors of the Company determined the value of the agency agreement with reference to a valuation carried out by Jones Lang LaSalle Sallmanns Limited ("Jones Lang LaSalle Sallmanns"), an independent firm of qualified professional valuer, at the time when the Group obtained control in Aluminum & Power, further details of the arrangements are disclosed in Note 36(b)(ii). The address of Jones Lang LaSalle Sallmanns is 17/F Dorset House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong.

	RMB'000
COST	
At 31 December 2010 and 2009	443,000
AMORTISATION	
At 1 January 2009	319,372
Charge for the year	123,628
At 31 December 2010 and 2009	443,000
CARRYING VALUES	
At 31 December 2010 and 2009	–

Intangible assets are amortised on a straight-line basis over their estimated useful lives (which also equal to contract term) of 3.6 years.

18. DEFERRED TAXATION

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

	Excess of accounting depreciation over tax depreciation RMB'000	Impairment of inventories RMB'000	Unrealised profit on intra-group sales RMB'000	Total RMB'000
At 1 January 2009	7,449	22,629	–	30,078
Credit (charge) to consolidated statement of comprehensive income	4,675	(22,629)	–	(17,954)
At 31 December 2009	12,124	–	–	12,124
Credit to consolidated statement of comprehensive income	4,642	–	23,465	28,107
At 31 December 2010	**16,766**	**–**	**23,465**	**40,231**

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

	2010 RMB'000	2009 RMB'000
Deferred tax assets	**40,231**	12,124

At 31 December 2010, the Group had unused tax losses of approximately RMB4,364,000 (2009: RMB9,691,000) available to offset against future profits of respective subsidiaries. Included in unrecognised tax losses are losses of RMB4,364,000 (2009: Nil) that may be carried forward indefinitely.

Details of the Group's other unused tax losses and other deductible temporary differences are as follows:

	2010 RMB'000	2009 RMB'000
Tax losses unrecognised for deferred tax assets	**–**	9,691
Other deductible temporary differences unrecognised for deferred tax assets	**–**	24,371
Tax losses will expire in		
2012	**–**	8,804
2014	**–**	887
Total	**–**	9,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

18. DEFERRED TAXATION (Continued)

No deferred tax asset is recognised in relation to such tax losses and other deductible temporary differences due to the unpredictability of future profit streams.

Under the new EIT Law, withholding tax is imposed on dividends declared to non-PRC resident investors in respect of profit earned by PRC subsidiaries from 1 January 2008 onward. Deferred taxation has not been provided for in the financial statements in respect of undistributed profits of relevant PRC subsidiaries, as the management confirmed that profits generated from 1 January 2008 up to 31 December 2010 will not be distributed in the foreseeable future. The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB5,188,991,000 (2009: RMB968,760,000).

19. INVENTORIES

	2010	2009
	RMB'000	RMB'000
Raw materials	**376,455**	142,290
Work in process	**744,762**	396,032
Finished goods	**883**	10,038
	1,122,100	548,360

20. TRADE RECEIVABLES

The Group has a policy of allowing credit period of no more than 90 days to its trade customers with trading history, or otherwise sales on cash terms are required.

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

			Assets held for sale		Contracted for alumina production business		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
0 – 90 days	**3,716**	44,416	**–**	7,113	**–**	128,549	**3,716**	180,078
91 – 180 days	**–**	–	**–**	920	**–**	–	**–**	920
	3,716	44,416	**–**	8,033	**–**	128,549	**3,716**	180,998

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

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

20. TRADE RECEIVABLES (Continued)

The aged analysis of trade receivables which are past due but not impaired, presented based on the invoice date is as follows:

			Assets held for sale		Contracted for alumina production business		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
91 – 180 days	**–**	–	**–**	920	**–**	–	**–**	920

Based on the historical experience of the Group, trade receivables which are past due but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

Impairment for trade receivables over 90 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment and expected recoverable amounts.

Movements in allowance for trade receivables during the year:

			Assets held for sale		Contracted for alumina production business		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Balance at beginning of the year	**24,371**	24,371	**–**	–	**–**	–	**24,371**	24,371
Allowance for the year	**–**	–	**–**	–	**–**	–	**–**	–
Decrease through disposal of Dyeing Business	**(24,371)**	–	**–**	–	**–**	–	**(24,371)**	–
Balance at end of the year	**–**	24,371	**–**	–	**–**	–	**–**	24,371

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

21. BILLS RECEIVABLE

			Assets held for sale		Contracted for alumina production business		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000 (Note i)	**RMB'000**	RMB'000 (Note ii)	**RMB'000**	RMB'000 (Note iii)	**RMB'000**	RMB'000
Bills receivable	**882,570**	763,370	**–**	33,316	**–**	678,259	**882,570**	1,474,945

Notes:

(i) The Group has discounted bills receivable of Nil (2009: RMB22,000,000) at 31 December 2010 to banks with full recourse. The Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the discounting as bank borrowings (Note 28).

At 31 December 2010, bills receivable of approximately RMB869,234,000 (2009: RMB135,979,000) were endorsed with recourse to third parties and corresponding trade payables of RMB869,234,000 (2009:RMB135,979,000) were included in the consolidated statement of financial position accordingly. And the Group is required to undertake the finance costs incurred by 鄒平高新鋁電有限公司 ("Gaoxin Aluminum & Power") in relation to discounting these bills receivable to banks which was paid by the Group as prepayments for sourcing of electricity pursuant to terms of a purchases agreement entered into with Gaoxin Aluminum & Power on 20 June 2008, which was expired on 31 December 2009. As at 31 December 2009, the Group has endorsed bills receivable with recourse of RMB22,000,000 to Gaoxin Aluminum & Power. The finance costs incurred by Gaoxin Aluminum & Power are recorded as other interest expenses as set out in Note 7.

At 31 December 2010, bills receivable of Nil (2009: RMB599,864,000) were endorsed with recourse to related parties and corresponding amounts due to related parties of Nil (2009:RMB599,864,000) were included in the consolidated statement of financial position accordingly.

(ii) Bills receivable of RMB3,573,000 classified as held for sale at 31 December 2009 was endorsed with recourse to third parties and corresponding trade payables of RMB3,573,000 was included in liabilities associated with assets classified as held for sale accordingly.

Bills receivable of RMB29,743,000 classified as held for sale at 31 December 2009 was endorsed with recourse to related parties and corresponding amounts due to related parties of RMB29,743,000 was included in liabilities associated with assets classified as held for sale accordingly.

(iii) The Group has discounted bills receivable of Nil (2009: RMB49,000,000) contracted for Alumina Production Business (as defined in Note 36(b)(ii)) at 31 December 2010 to banks with full recourse. The Group continues to recognise the full carrying amount of the receivables and has recognised the cash received on the discounting as bank borrowings (Note 36(b)(ii)).

At 31 December 2010, bills receivable of Nil (2009: RMB283,572,000) were endorsed with recourse to third parties and corresponding trade payables of Nil (2009: RMB283,572,000) were included in financial liabilities contracted for Alumina Production Business accordingly.

At 31 December 2010, bills receivable of Nil (2009: RMB320,987,000) were endorsed with recourse to related parties and corresponding amounts due to related parties of Nil (2009: RMB320,987,000) were included in financial liabilities contracted for Alumina Production Business accordingly.

21. BILLS RECEIVABLE (Continued)

The Group continues to recognise the full carrying amount of the discounted or endorsed bills receivable with recourse as the Group remains exposed to the credit risk of ownership pertinent to such bills receivable.

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

			Assets held for sale		Contracted for alumina production business		Total	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
0 – 90 days	**344,020**	545,952	**–**	16,503	**–**	359,644	**344,020**	922,099
91 – 180 days	**538,550**	217,418	**–**	16,813	**–**	318,615	**538,550**	552,846
	882,570	763,370	**–**	33,316	**–**	678,259	**882,570**	1,474,945

22. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2010 RMB'000	2009 RMB'000
Prepayments to suppliers	**58,832**	5,235
Value added tax receivables	**97,191**	–
Other receivables	**718**	10,142
	156,741	15,377

23. RESTRICTED BANK DEPOSITS AND BANK BALANCES

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

The restricted bank deposits carried market interest rates ranging from 0.36% to 1.98% (2009: Nil to 2.25%) per annum as at 31 December 2010.

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less which are held with financial institutions and carry interest at prevailing market rate.

Bank balances and cash at 31 December 2010 were mainly denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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For the year ended 31 December 2010

24. TRADE PAYABLES

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases of goods is 180 days.

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

			Liabilities held for sale		Contracted for alumina production business		Total	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
0 – 180 days	**1,035,456**	340,606	**–**	103,704	**–**	312,439	**1,035,456**	756,749
181 – 365 days	**4,049**	11,782	**–**	18,724	**–**	–	**4,049**	30,506
1 – 2 years	**5,060**	36,746	**–**	11,309	**–**	–	**5,060**	48,055
Over 2 years	**1,341**	5,212	**–**	–	**–**	–	**1,341**	5,212
	1,045,906	394,346	**–**	133,737	**–**	312,439	**1,045,906**	840,522

25. BILLS PAYABLE

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

			Liabilities held for sale		Contracted for alumina production business		Total	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
0 – 90 days	**–**	310,000	**–**	25,000	**–**	340,000	**–**	675,000
91 – 180 days	**–**	–	**–**	25,000	**–**	–	**–**	25,000
	–	310,000	**–**	50,000	**–**	340,000	**–**	700,000

26. OTHER PAYABLES

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

	2010 RMB'000	2009 RMB'000
Other deposits, payables and accruals	**131,715**	134,848
Advance from customers	**457,576**	322,094
Accrued payroll and welfare	**10,989**	18,821
Other tax payable	**205,145**	372,296
	805,425	848,059

27. DEFERRED INCOME

	Government grants RMB'000
At 1 January 2009	11,200
Release to income	(1,145)
Reclassified as held for sale	(10,055)
At 31 December 2010 and 2009	–

Deferred income arising from government grant represents the government subsidies obtained in relation to the infrastructure construction, which was included in the consolidated statements of financial position as deferred income and credited to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

28. BANK BORROWINGS

	2010 RMB'000	2009 RMB'000
Bank borrowings		
Secured bank borrowings	**89,850**	22,000
Unsecured bank borrowings	**3,944,000**	1,022,492
	4,033,850	1,044,492
Included in the unsecured bank borrowings, the balance of borrowings which are guaranteed by – related party	**–**	977,198
The total borrowings are repayable as follows (Note):		
Within one year	**72,850**	929,173
In the second year	**–**	115,319
In the third year	**3,661,000**	–
In the fourth year	**–**	–
In the fifth year	**300,000**	–
	4,033,850	1,044,492
Less: Amount due for settlement within one year and shown under current liabilities	**72,850**	929,173
Amount due after one year	**3,961,000**	115,319
Total borrowings		
– at fixed rates	**1,472,850**	233,890
– at floating rates	**2,561,000**	810,602
	4,033,850	1,044,492
Analysis of borrowings by currency:		
– denominated in RMB	**3,961,000**	402,000
– denominated in USD (foreign currency of the relevant group entities)	**72,850**	642,492

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements. At the end of 31 December 2010 and 2009, no bank loans have contained a repayment on demand clause.

Fixed interest rate borrowings are charged at the prevailing market rates ranging from 5.58%to 5.73% (2009:1.65% to 8.22%) per annum as at 31 December 2010.

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

The effective weighted average annual rate for the year ended 31 December 2010 were 5.60% (2009:4.88%) per annum.

29. PAID-IN CAPITAL/SHARE CAPITAL

	The Company number of Shares	Share capital US$
Authorised		
Ordinary shares of US$1 each		
At date of incorporation	50,000	50,000
Increase on subdivision of shares on 7 June 2010	4,950,000	–
Ordinary shares of US$0.01 each		
At 31 December 2010	5,000,000	50,000
Issued and fully paid		
Ordinary shares of US$1 each		
At date of incorporation	100	100
Issue of new shares on 13 April 2010	9,900	9,900
Increase on subdivision of shares on 7 June 2010	990,000	–
Ordinary shares of US$0.01 each		
At 31 December 2010	1,000,000	10,000

	RMB'000
Shown on the consolidated statement of financial position	69

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

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

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

For the purpose of the preparation of the consolidated statement of financial position for the year, the balance of the paid-in capital at 31 December 2009 represented the paid-in capital of Shandong Hongqiao at that date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year 31 December 2010.

The capital structure of the Group consists of net debt, which comprising the bank borrowings disclosed in Note 28, cash and cash equivalents and equity attributable to owners of the Company, comprising paid in capital/issued share capital and reserves as disclosed in Note 29 and the consolidated statements of changes in equity.

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

31. FINANCIAL INSTRUMENTS

The financial instruments disclosed below include those from the net assets classified as held for sale and financial instruments contracted for Alumina Production Business.

(a) Categories of financial instruments

			Non-current assets held for sale		Contracted for Alumina Production Business		Total	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Financial assets								
Loans and receivables	**3,639,223**	2,175,463	**–**	234,578	**–**	1,029,762	**3,639,223**	3,439,803
Financial liabilities								
Liabilities at amortised cost	**5,222,460**	5,458,986	**–**	967,547	**–**	1,105,843	**5,222,460**	7,532,376

(b) Market risk

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

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

31. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Foreign currency risk management

The Group collects all of the revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB. Certain bank balances and bank and other borrowings are denominated in foreign currencies which expose the Group to currency risk. Certain monetary assets and liabilities of the Company are also dominated in foreign currencies.

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

			Non-current assets held for sale		Contracted for Alumina Production Business		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets								
USD	**3,984**	630	**–**	25,000	**–**	–	**3,984**	25,630
Liabilities								
USD	**72,850**	642,492	**–**	25,000	**–**	66,896	**72,850**	734,388

Sensitivity analysis

The following table details the Group's sensitivity to a 5% change in exchange rate of USD against RMB while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate. A 5% change in exchange rate of USD against RMB while all other variables were held constant, would not have a significant effect on the Company's profit for the year ended 31 December 2010.

	2010	2009
	RMB'000	RMB'000
Increase (decrease) in profit for the year		
if RMB weakens against		
USD	**(2,582)**	(26,578)
if RMB strengthens against		
USD	**2,582**	26,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Interest rate risk management

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

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

Sensitivity analysis

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

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

	2010 **RMB'000**	2009 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**387**	1,023
As a result of decrease in interest rate	**(387)**	(1,023)

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. A 27 basis point change in interest rate while all other variables were held constant would not have a significant effect on the Company's profit for the year ended 31 December 2010.

31. FINANCIAL INSTRUMENTS (Continued)

(c) Credit risk

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

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

At 31 December 2010, the Group has no concentration of credit risk in respect of trade receivable. At 31 December 2009, the Group has concentration of credit risk in respect of trade receivable as the Group's largest and five largest trade receivable amounted RMB29,861,000 and RMB56,239,000 respectively, and represented 16% and 31% of the total trade receivables respectively.

The Group has concentration of credit risk in respect of bills receivable as the Group's bills receivable from the Group's top customer amounted to RMB511,724,000 (2009: RMB385,959,000), and represented 48% (2009: 51%) of the total bills receivable as at 31 December 2010.

The Group has concentration of credit risk in respect of bills receivable as the Group's bills receivable from the Group's top five major customers amounted to RMB772,730,000 (2009: RMB620,199,000) and represented 73% (2009: 81%) of the total bills receivable respectively as at 31 December 2010. The credit risk on bills receivable is limited because the Group's significant bills receivable are bank acceptances with various banks of good credit ratings.

The credit risk on liquid funds is limited because such amounts are placed with various banks with good credit ratings. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

31. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management

The Group's net current liabilities position as at 31 December 2009 was primarily attributable to its taking advantage of the financing from amounts due to related parties, the suppliers' credit period to partly finance its operation and utilising short-term bank borrowings for expanding its business. The nature of the Group's business is such that the majority of its liabilities are short-term, consisting mainly of trade payables, bills payable, amounts due to related parties and short-term bank borrowings. The Group also has limited trade receivables as it generally first receives advances from customers.

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

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

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

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6-12 months RMB'000	1-2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2010							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	5.41	112,358	39,183	78,366	1,491,773	1,721,680	1,472,850
Variable-rate bank borrowings	5.92	75,834	75,834	151,667	2,776,311	3,079,646	2,561,000
Trade payables	–	1,045,906	–	–	–	1,045,906	1,045,906
Other payables	–	113,132	29,572	–	–	142,704	142,704
		1,347,230	144,589	230,033	4,268,084	5,989,936	5,222,460

31. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6-12 months RMB'000	1-2 years RMB'000	2-5 years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2009							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	3.88	240,069	–	–	–	240,069	233,890
Variable-rate bank borrowings	3.95	298,233	415,365	115,980	–	829,578	810,602
Trade payables	–	209,562	184,784	–	–	394,346	394,346
Bills payables	–	310,000	–	–	–	310,000	310,000
Other payables	–	128,802	24,867	–	–	153,669	153,669
Financial liabilities classified as held for sale	–	967,547	–	–	–	967,547	967,547
Financial liabilities contracted for Alumina Production Business	–	1,105,843	–	–	–	1,105,843	1,105,843
Amounts due to related parties	–	3,556,479	–	–	–	3,556,479	3,556,479
		6,816,535	625,016	115,980	–	7,557,531	7,532,376

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

(e) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

For the year ended 31 December 2010

32. ACQUISITION OF A SUBSIDIARY

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

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

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

33. DISPOSAL OF A SUBSIDIARY

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
For the year ended 31 December 2010

34. COMMITMENTS

Capital expenditure

	2010 RMB'000	2009 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	**178,733**	365,039
– authorised but not contracted for	**2,650,614**	–
	2,829,347	365,039

35. MAJOR NON-CASH TRANSACTIONS

During the two years ended 31 December 2010, the major non-cash transactions are as follows:

(a) The Company's subsidiary, Aluminum & Power purchased an aluminum production line from Chuangye Group for a consideration of RMB499,851,000 during 2007 and the consideration of RMB499,851,000 was payable to 濱州魏橋鋁業科技有限公司 ("Aluminum Technology") pursuant to the payment instruction issued by Chuangye Group to Aluminum & Power on 30 April 2007, which was not yet paid up to May 2009. On 25 May 2009, Aluminum & Power, Aluminum Technology and Chuangye Group entered into a three-party agreement. Pursuant to the terms of the agreement, the amount due to Aluminum Technology of RMB770,285,000 as at that date was assigned to the amount due to Chuangye Group as at that date of RMB1,235,518,000, and the remaining balance of RMB465,233,000 was regarded as prepayment to Aluminum Technology for purchase of raw materials.

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

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

(d) On 30 June 2010, Aluminum & Power, Chuangye Group and Gaoxin Aluminum & Power entered into a three-party agreement. Pursuant to the terms of the agreement, trade payables due to three third parties contracted for Alumina Production Business of RMB57,825,000 and an amount due from Chuangye Group of RMB116,136,000 as at that date were transferred to Gaoxin Aluminum & Power as prepayment for purchase of raw materials of RMB58,311,000. Aluminum & Power obtained the written approvals from the relevant creditors for the above transfer at the same date.

36. RELATED PARTY TRANSACTIONS

The related party transactions and balances disclosed below include those from the discontinued operations and net assets classified as held for sale.

(a) Name and relationship with related parties

Name	Relationship
Chuangye Group	Note ii
Aluminum Technology	Controlled by Chuangye Group
山東魏聯印染有限公司 (“Shandong Weilian Printing & Dyeing Co. Ltd”) (Note i)	Controlled by Chuangye Group
濱州魏橋海化資源開發有限公司 (“Binzhou Weiqiao Salt Industrial Development Co. Ltd”) (Note i) (Formerly known as “濱州魏橋鹽業開發有限公司”)	Controlled by Chuangye Group
鄒平魏橋再生資源利用有限公司 (“Zouping Weiqiao Recycling Resources Co., Ltd”) (Note i)	Controlled by Chuangye Group
山東魏橋服裝有限公司 (“Shandong Weiqiao Costume Co., Ltd.”) (Note i) (“Weiqiao Costume”)	Controlled by Chuangye Group
山東魏橋特寬福印染有限公司 (“Shandong Weiqiao Tekuanfu Co., Ltd.”) (Note i) (“Weiqiao Tekuanfu”)	Controlled by Chuangye Group
山東潤霞投資有限公司 (“Shandong Runxia Investment Co., Ltd.”) (Note i) (“Runxia Investment”)	Controlled by Mr Zhang Shiping’s immediate family members
山東士平投資有限公司 (“Shandong Shiping Investment Co., Ltd.”) (Note i) (“Shiping Investment”)	Controlled by Mr Zhang Shiping
山東潤波投資有限公司 (“Shandong Runbo Investment Co., Ltd.”) (Note i)	Controlled by Mr. Zhang Shiping’s immediate family members
Marine Chemical	Note iv
Ms. Zheng	Spouse of Mr. Zhang Shiping
Zhengtong	Note iii

Notes:

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

(ii) Mr. Zhang, the director and the controlling shareholder of the ultimate holding company of the Company, has a significant non-controlling beneficial interest in Chuangye Group during most of the two years ended 31 December 2010.

(iii) Zhengtong was significantly influenced by Ms. Zheng up to March 2010 when the entire equity interest of Zhengtong was acquired by the Group (see Note 32).

(iv) Marine Chemical was controlled by Huibin Dyeing since 1 January 2010 (see Note 12(A)(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

36. RELATED PARTY TRANSACTIONS (Continued)

(b) Except as disclosed in elsewhere in the financial statements, the Group has entered into the following significant transactions with its related parties during the two years ended 31 December 2010:

	2010 RMB'000	2009 RMB'000
Continuing transactions (Note i)		
Purchases of carbon anode blocks (Note v)		
– Aluminum Technology	**309,867**	162,820
Sales of slag of carbon anode blocks (Note v)		
– Aluminum Technology	**23,461**	15,027
Discontinued transactions (Note i)		
Management fee (Notes ii and vi)		
– Chuangye Group	**–**	154,982
Purchases of alumina		
– Chuangye Group (Notes ii and vi)	**–**	2,382,343
Sales of accessories (Note vi)		
– Chuangye Group	**1**	8,888
– Aluminum Technology	**70**	10,494
– 濱州魏橋海化資源開發有限公司	**–**	3
– Marine Chemical	**1**	–
– 鄒平魏橋再生資源利用有限公司	**49**	–
	121	19,385
Sales of caustic soda products (Note v)		
– Chuangye Group	**–**	67,926
Sales of dyed fabric and yarn-dyed denim products (Note vi)		
– Chuangye Group (Note iv)	**–**	1,344
Sales of aluminum alloy ingots (Note v)		
– Chuangye Group	**1,928**	24,059
Sales of aluminum busbars (Note v)		
– Chuangye Group	**10,029**	90,269
Sales of coal (Note v)		
– Chuangye Group	**–**	112,838
Purchases of molten aluminum (Note vi)		
– Chuangye Group	**97,530**	–

36. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

	2010 RMB'000	2009 RMB'000
Purchases of materials (Note vi)		
– Chuangye Group	**599**	19,224
– Aluminum Technology	**7**	596
– Marine Chemical	**2**	–
– 濱州魏橋海化資源開發有限公司	**–**	7,101
	608	26,921
Purchase of dyed fabric and yarn-dyed denim products and related raw materials (Note vi)		
– Weiqiao Costume	**–**	2,490
– Weiqiao Tekuanfu	**–**	1,315
	–	3,805
Purchase of cryolite (Note vi)		
– Chuangye Group	**6,256**	–
Purchases of property, plant and equipment (Note vi)		
– Aluminum Technology	**–**	75,210
Purchase of land use rights (Note vi)		
– Chuangye Group (Note iii)	**50,091**	–
Provision of coal by (Note v)		
– Chuangye Group	**–**	442,094
Provision of electricity by (Note vi)		
– Chuangye Group	**–**	1,280,787
Rental expense (Notes iii and vi)		
– Chuangye Group	**1,558**	16,318
Interest expense (Note v, see Note (c) below for details)		
– Chuangye Group	**–**	38,505

In addition to the above, during the years ended 31 December 2009, the Group has also provided steam, a side product in the Group's production process, to Chuangye Group free of charge. Such provision has been discontinued since 1 January 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2010

36. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

Notes:

(i) In the opinion of the directors of the Company, the related party transactions were conducted in the ordinary course of the Group's business on terms set out in Notes v and vi below, and the above continuing transactions will continue after the Listing, while the discontinued transactions will be discontinued.

(ii) Pursuant to the agency agreement entered into by Chuangye Group and Aluminum & Power on 25 May 2006, Aluminum & Power agreed to operate the business of alumina owned by Chuangye Group (the "Alumina Production Business") on behalf of Chuangye Group for the period from 26 May 2006 to 31 December 2009. In return, Chuangye Group agreed to pay management fee to Aluminum & Power for the sales of alumina to the third parties at a predetermined rate of RMB400, RMB200 and RMB100 per ton for the period from 26 May 2006 to 31 December 2007, for the year ended 31 December 2008 and 2009 respectively and to provide alumina to Aluminum & Power at cost.

The assets and liabilities of Alumina Production Business operated by the Group on behalf of Chuangye Group does not form part of the financial statements except for certain financial instruments contracted by the Group as an agent on behalf of Chuangye Group as a result of these arrangements, which were included in the financial statements according to the requirements of IAS 39 as disclosed below. During the year ended 31 December 2009, Aluminum & Power has recorded in its books and record, as an agent, the transactions of the Alumina Production Business other than those relating to property, plant and equipment which were purchased, recorded and maintained by Chuangye Group.

The financial assets and liabilities contracted by the Group on behalf of the Alumina Production Business are as follows:

	2009 RMB'000
Financial assets	
Trade receivables	128,549
Bills receivable	678,259
Other receivables	1,173
Trade receivables due from related parties	221,781
	1,029,762
Financial liabilities	
Trade payables	312,439
Bills payable	340,000
Other payables	1,743
Trade payables due to related parties	402,661
Bank borrowings under discounted bills facilities	49,000
	1,105,843

36. RELATED PARTY TRANSACTIONS (Continued)

(b) (Continued)

Notes: (Continued)

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

(iv) The purchase and sales were related to the Dyeing Business of the Group incurred during the year ended 31 December 2009.

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

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

(c) Balances with related parties

			Assets held for sale		Contracted for alumina production business		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Amounts due from related parties:								
– 濱州魏橋海化資源開發有限公司	**–**	1,203	**–**	105,301	**–**	–	**–**	106,504
– Aluminum Technology	**–**	80,646	**–**	–	**–**	219,705	**–**	300,351
– Weiqiao Tekuanfu	**–**	7	**–**	–	**–**	–	**–**	7
– 鄒平魏橋再生資源利用有限公司	**–**	–	**–**	–	**–**	1,334	**–**	1,334
– Zhengtong	**–**	71,900	**–**	10,925	**–**	–	**–**	82,825
– Other subsidiaries of Chuangye Group	**–**	–	**–**	–	**–**	742	**–**	742
Total	**–**	153,756	**–**	116,226	**–**	221,781	**–**	491,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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36. RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties (Continued)

All amounts due from related parties were denominated in RMB, unsecured, interest free and repayable on demand.

			Assets held for sale		Contracted for alumina production business		Total	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Amounts due to related parties:								
– Aluminum Technology	**–**	–	**–**	–	**–**	2,000	**–**	2,000
– Chuangye Group	**–**	3,554,740	**–**	89,745	**–**	366,051	**–**	4,010,536
– Zhengtong	**–**	–	**–**	–	**–**	32,524	**–**	32,524
– Weiqiao Costume	**–**	–	**–**	617	**–**	–	**–**	617
– 鄒平魏橋再生資源利用有限公司	**–**	200	**–**	–	**–**	2,086	**–**	2,286
– Weiqiao Tekuanfu	**–**	1,539	**–**	–	**–**	–	**–**	1,539
Total	**–**	3,556,479	**–**	90,362	**–**	402,661	**–**	4,049,502

All amounts due to related parties were unsecured, non-interest bearing and payable on demand except for the amount due to Chuangye Group of RMB393,180,000 at 31 December 2009, which carried prevailing market rates for discounted bills banking facilities in the PRC.

(d) Compensation of key management personnel

	2010 RMB'000	2009 RMB'000
Short term employee benefit	**121**	70
Retirement benefits scheme contributions	**12**	16
	133	86

Five key management personnel's emoluments are borne by Chuangye Group in 2009 and up to certain dates as detailed in Note 9.

36. RELATED PARTY TRANSACTIONS (Continued)

(e) 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:

	2010 **RMB'000**	2009 RMB'000
Chuangye Group	**–**	1,640,198

The guarantees provided by Chuangye Group were released in November 2010.

37. CONTINGENT LIABILITY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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37. CONTINGENT LIABILITY (Continued)

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

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

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

38. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

The Group has participated in certain defined contribution retirement schemes managed by the respective municipal governments where the Group operates, covering all permanent staff of the Group. The Group has no obligation beyond the contributions which are calculated based on 17% to 20% of permanent staff basic salaries during both years.

39. PARTICULAR OF SUBSIDIARIES

The particulars of subsidiaries of the Company as at 31 December 2010 and 2009 are set out as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2010	31 December 2009	Principal activity
			%	%	
China Hongqiao Investment Limited	British Virgin Islands ("BVI") 5 February 2010	US$200	**100**	–	Investment holding
Hongqiao Investment (Hong Kong) Limited	Hong Kong 18 February 2010	HK$10,100	**100**	–	Investment holding
山東宏橋新型材料有限公司 (Shandong Hongqiao New Material Co., Ltd.) (Note i) (Formerly known as"山東位橋染織有限公司")	The People's Republic of China ("PRC") 27 July 1994	US$110,000,000	**100 (Note ii)**	98 (Note ii)	Manufacture and sales of aluminum products (Note iii)
山東魏橋鋁電有限公司 (Shandong Weiqiao Aluminum Power Co., Ltd.) (Note i)	PRC 25 December 2002	RMB5,000,000,000	**100**	100	Manufacture and sales of aluminum products (Note iv)
濱州海洋化工有限公司 (Binzhou Marine Chemical Co., Ltd.) (Notes i and v)	PRC 2 March 2006	RMB600,000,000	**–**	100	Manufacture and sales of caustic soda products
濱州市政通新型鋁材有限公司 (Binzhou Zhengtong New Aluminum Profiles Co., Ltd.) (Notes i, and vii)	PRC 20 May 2008	RMB200,000,000	**100**	–	Manufacture and sales of aluminum materials

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For the year ended 31 December 2010

39. PARTICULAR OF SUBSIDIARIES (Continued)

Notes:

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

(ii) The remaining 2% equity interest of Shandong Hongqiao was previously held by Chuangye Group (see Note 36(a)(ii) of section B for its relationship with the Group) and was transferred to Hongqiao Hong Kong in March 2010 as disclosed in Note 1.

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

(iv) Aluminum & Power was also engaged in the Alumina Agency Business in 2009, such business was discontinued (see Note 12).

(v) Marine Chemical was disposed of during the current year. Its assets and liabilities were classified as held for sale as at 31 December 2009 and its business was treated as discontinued operation during the prior year (see Note 12).

(vi) 100% equity interest of Zhengtong was acquired in March 2010 (see Note 32).

40. SUBSEQUENT EVENTS

(a) Pursuant to the written resolutions passed on 16 January 2011, upon the satisfactions of certain conditions, (i) conditional on the share premium account of the Company being credited as a result of the Share Offer, the sum of US$49,990,000 standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full at par 4,999,000,000 shares allotment and issue to the shareholders whose names were on the register of members of the Company as of the close of business on 16 January 2011; and (ii) the authorized share capital of the Company will be increased from US$50,000 to US$100,000,000 by the creation of an additional 9,995,000,000 shares. The directors of the Company allotted and issued such shares as aforesaid on 24 March 2011.

(b) On 24 March 2011, the Company issued 885,000,000 ordinary shares of US$0. 01 each at the price of HK$7.20 per share by way of placing and public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.