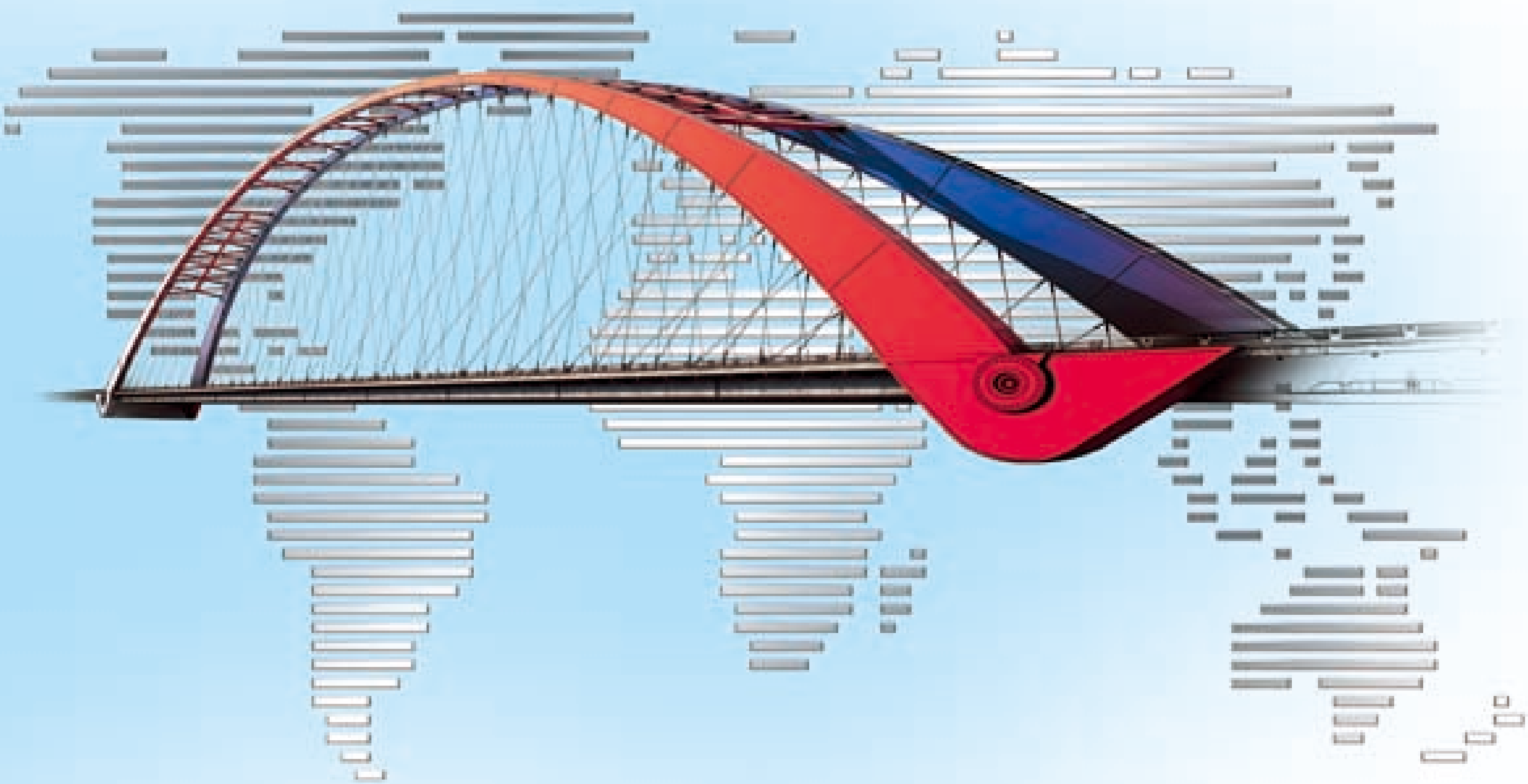
China Hongqiao Group Limited
中國宏橋集團有限公司

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



ANNUAL REPORT **2012**

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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)				
	2008	2009	2010	2011	**2012**
Continuing operations					
Revenue	8,772,162	8,668,428	15,131,591	23,626,031	**24,804,742**
Gross profit	533,456	899,330	5,741,869	8,176,386	**8,003,448**
Gross profit margin (%)	6.1	10.4	37.9	34.6	**32.3**
Profit before income tax	382,504	774,007	5,584,584	7,953,871	**7,400,553**
Continuing and discontinued operations					
Net profit attributable to shareholders of the Company	420,297	556,289	4,195,738	5,875,410 [1]	**5,452,592** [1]
Net profit margin (%)	4.9	6.5	27.9	24.9	**22.0**
Basic earnings per share (RMB)	0.08	0.11	0.84	1.03	**0.93**

Assets and liabilities

	As at 31 December (RMB'000)				
	2008	2009	2010	2011	**2012**
Total assets	11,151,792	11,387,261	13,345,696	29,669,048	**44,376,717**
Equity	2,579,849	3,147,491	7,302,541	18,397,034	**22,337,897**
Total liabilities	8,571,943	8,239,770	6,043,155	11,272,014	**22,038,820**
Return on equity[2] (%)	18.1	19.8	80.8	45.7	**26.8**
Current ratio[3] (%)	48	47	236	151	**123**
Accounts receivable turnover[3] (days)	2	2	1	1	**1**
Inventory turnover[3] (days)	33	30	32	36	**55**
Accounts payable turnover[3] (days)	38	33	21	22	**25**

Note:

1 The Company had no discontinued operations in 2011 and 2012.

2 Calculated based on average equity.

3 Calculated exclusive of those held for sale.

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen

JOINT COMPANY SECRETARIES

Zhang Yuexia
Ho Wing Yan

AUDIT COMMITTEE

Han Benwen *(Chairman)*
Xing Jian
Chen Yinghai

NOMINATION COMMITTEE

Xing Jian *(Chairman)*
Zhang Shiping
Han Benwen

REMUNERATION COMMITTEE

Han Benwen *(Chairman)*
Zhang Shiping
Xing Jian

AUTHORISED REPRESENTATIVES

Zhang Bo
Zhang Yuexia

COMPLIANCE ADVISOR

Guotai Junan Capital Limited

PLACE OF BUSINESS IN HONG KONG

Suite 5108
The Center
99th Queen's Road Central
Hong Kong

HEAD OFFICE IN THE PRC

Huixian One Road
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Zouping County
Shandong Province
PRC

CAYMAN ISLANDS REGISTERED OFFICE

Floor 4, Willow House
Cricket Square, P O Box 2804
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Cayman Islands

LEGAL ADVISOR AS TO HONG KONG LAW

Orrick, Herrington & Sutcliffe

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu

HONG KONG SHARE REGISTRAR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

INVESTOR RELATIONS DEPARTMENT OF THE COMPANY

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COMPANY WEBSITE

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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 31 DECEMBER 2012

5,885,000,000

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

Weber Shandwick

Tel:	(852) 2533-9938
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Email:	hongqiao@webershandwick.com
Address:	10th Floor, Oxford House Taikoo Place 979 King's Road Quarry Bay Hong Kong

FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
8 March 2013

ANNUAL GENERAL MEETING

7 May 2013

EXPECTED DATE OF FINAL DIVIDEND PAYMENT

7 June 2013

Chairman's Statement

To all shareholders,

It is my pleasure to present on behalf of the board (the "Board") of directors (the "Directors") of China Hongqiao Group Limited ("China Hongqiao" or the "Company") the annual results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2012 (the "Year" or the "Period under Review").

STAYING COMPETITIVE AMID CHALLENGES

Challenges and changes in the market characterized China's aluminum industry in 2012. On the one hand, the European debt crisis lingered while China's economic growth softened; on the other hand, downstream demand for aluminum products was struck hard repeatedly by the successive monetary tightening policies and real estate control measures of China's central government, driving the prices of aluminium industrial products lower. Meanwhile, the Republic of Indonesia ("Indonesia") announced in May 2012 that it would impose export customs duty on 14 mineral products including bauxite, which also brought the potential risk of rising costs to the aluminum industry.

Despite these challenges, China Hongqiao leveraged on its solid core competitiveness, vastly advantageous business model and proactive business development strategies to facilitate the accomplishment of an industrial positioning centered on the integration of aluminum and electricity as well as integration of upstream and downstream businesses, ensured sustainable and stable production and operations, and further strengthened our position as the leader in China's aluminum market. Benefiting from precise interpretation of policy directions and accurate timing in capturing future industry trends, and leveraging on highly prospective development strategies and outstanding executive ability, in December 2012, the Group announced the plan to make investment together with three highly competitive mining and shipping companies, in which a US$1 billion investment was committed to build an alumina production company in Indonesia for the construction and operation of an alumina production plant with designed annual production capacity of 2,000,000 tons. While such investment will help to secure stable supply of raw materials for the Group, it can also expand product sales to Indonesia and overseas market to lay a solid foundation for the long-term development of the Group.

RESULTS AND PERFORMANCE

Although uncertainties plagued the external environment throughout the past year, domestic demand in China remained strong. Expanding domestic demand will continue to be a key support for the continuous economic growth of China in the future. In addition, the various development planning and policies promulgated by the National Development and Reform Commission (the "NDRC") in 2012 in line with the 12th Five-Year Plan injected new vitality and momentum to China's aluminum product market. The Group capitalized on this important opportunity to further expand its production capacity, realize stability in performance and consolidate the Group's leading position in China's aluminum industry. As at 31 December 2012, the Group's designed annual production capacity of aluminum products was 2,016,000 tons (2011: 1,776,000 tons), ranking us the fourth largest aluminum product manufacturer in China and representing a capacity growth of about 13.5% compared with that of 2011. Besides, in order to secure stable power supply and continue to enhance its cost advantages, on one hand, the Group continued to expand the scale of its captive power plants and achieved the ownership of power generators with installed capacity of 2,730MW by the end of 2012, while on the other hand the Group has completed the construction and commenced the operation of the project for the comprehensive utilization of coal fly ash in producing alumina with designed annual production capacity of 3,000,000 tons in the production base in Zouping.

During the Period under Review, the Group's revenue amounted to approximately RMB24,804,742,000, representing a year-on-year increase of approximately 5.0%. The gross profit reached approximately RMB8,003,448,000, representing a year-on-year decrease of approximately 2.1%. Net profit attributable to shareholders of the Company amounted to approximately RMB5,452,592,000, representing a year-on-year decrease of approximately 7.2%. Basic earnings per share were approximately RMB0.93 (2011: approximately RMB1.03). The Board recommended the payment of a final dividend of HK$26.0 cents per share for the year of 2012 (2011: HK$32.0 cents per share).

IMMENSE GROWTH POTENTIAL IN THE ALUMINUM MARKET

Over the past year, great changes in the external environment of the industry posed new challenges to aluminum manufacturers in China. In 2012, the lower aluminum price in London Metal Exchange (the "LME") compared with that of Shanghai Futures Exchange (the "SHFE") led to an increase in the amount of aluminum imported into China. Besides, the successive announcements of electricity subsidy measures for electrolytic aluminum plants by local governments again sparked concerns about overcapacity due to the production resumption of closed-down plants. However, all these factors have not shattered the Group's belief that there is huge prospect in the potential of China's aluminum market.

It is without doubt that, in future, aluminum will play an important role in China's key industrial sectors, such as construction, transportation vehicles, and electronic consumption products. In 2012, the Ministry of Industry and Information Technology of China released the "12th Five-Year Plan for the Nonferrous Metal Industry", "12th Five-Year Plan for the Aluminum Industry" and "12th Five-Year Plan for the New Materials Industry" consecutively, in which it was clearly stated that proprietary research and development capability of enterprises shall be enhanced, and development in refined aluminum fabrication processing was strongly encouraged. In September 2012, the NDRC approved 25 urban railway transportation projects in 19 cities and the road projects with total length exceeding 2,000 km, aggregating over RMB1 trillion of total investment. This is expected to provide phenomenal room of growth for the aluminum industry. China's central government's continued efforts in expanding infrastructure construction and subsidized housing projects, investments in construction of new villages and small towns, as well as rapid development in the areas of electrical and electronic products, food and pharmaceutical packaging, etc. are all driving the persistent growth in aluminum market demand. Future development in these various areas will continue to buoy the stable growth of China's aluminum market, which will in turn benefit the Group. The Group is well-positioned to capture these new market opportunities.

FORTIFYING LEADERSHIP THROUGH CONTINUED IMPROVEMENT

As of the end of 2012, the Group had units with 2,730MW aggregate installed capacity and had strived to further increase the ratio of self-supplied electricity to approximately 70% by the end of 2013, so as to achieve a higher level of aluminum and electricity integration.

In the meantime, the Group continued to pursue the objective of upstream and downstream integration in 2012 through expanding industry chain, enriching product types and optimizing product structure, which ultimately further enhanced our market competitiveness. In December 2012, the Group announced an investment of US$1 billion together with relevant parties for the establishment of an alumina production Company in Indonesia. During the Year, some of the approvals and on-site feasibility studies had been completed. Phase one with alumina production line of designed annual production capacity of 1,000,000 tons is expected to be put into operation in 2015. Furthermore, during the Period under Review, the Group's production base in Zouping successfully established the project for the comprehensive utilization of coal fly ash for producing alumina with annual production capacity of 3,000,000 tons; trial production has been completed and the project is now in full operation. Therefore, in 2012, the self-supplied ratio of alumina, the Group's key raw material, reached approximately 42.8%, which contributed to the Group's enhanced control of production costs.

As for the extension into downstream businesses, the Group actively explored the high-end aluminum processing industry to diversify its product portfolio. During the Period under Review, the aluminum fabrication processing project with an annual production capacity of 30,000 tons commenced production gradually, and approximately 38,000 tons of processed aluminum alloy products were produced in 2012. Meanwhile, the Group continued its efforts in the thermal continuous rolling project and kept improving its level of aluminum processing technique to enhance the economic benefits of the Group. From a perspective of long-term development this continued expansion of industry chain will definitely strengthen the Group's businesses and its industry cluster advantage.

Looking forward, the Group will continue to pursue its objective of becoming a large-scale integrated aluminum product manufacturer in China's aluminum industry, possessing industry-leading cost advantages and vertically integrated industry chain, and deepen the integration of aluminum and electricity for further consolidation of our cost advantages and enhancement of our core competitiveness, while seeking further development of the integration of upstream and downstream businesses to realize the Group's sustained growth.

The Group remains steadfast and optimistic in our outlook for China's aluminum industry, although the overall industry is currently facing many challenges. With its competitive advantages, China Hongqiao is bracing itself for a period of growth opportunities in the industry. The Group will continue to seek improvements in various aspects including capacity expansion, broadening supply channels of raw materials, pursuing technological transformation and promoting energy conservation and consumption reduction, in order to further solidify our leading position in the industry. We shall continue to closely monitor both domestic and external macroeconomic trends and policy developments, and seek to capture precise timing in market opportunities. We firmly believe in the Group's ability in coping with various difficulties and challenges, as well as our capacity in grasping and creating development opportunities, so as to bring continuous and fruitful returns to the shareholders.

APPRECIATION

The outstanding performance of the Group during the past year could not be achieved without the broad vision and right direction of our management. It was also the result of the tireless efforts and dedication of all employees of the Group. On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all of them. We are also very grateful for the continued attention, support and trust of our shareholders and investors.

Zhang Shiping
Chairman of the Board

8 March 2013

Management Discussion and Analysis

INDUSTRY REVIEW

2012 was a year of both challenges and hopes for most of the aluminum manufacturers in China. From a view of the global economic environment, global macroeconomy had been uncertain in 2012. Aluminum price fluctuated, and showed an overall declining trend from the level of 2011. Repercussions of the European debt crisis deteriorated and boosted up risk aversion of the market. These factors, coupled with China's continued tightening monetary policy, exerted many impacts on the aluminum market. Meanwhile, slowdown in the global economy also brought negative effects to aluminum price, which was hovering at a low level. As at the end of December 2012, the three-month aluminum futures price quoted on the LME was USD2,068 per ton, while the three-month aluminum futures price quoted on the SHFE was RMB15,465 per ton (value-added tax inclusive).

In terms of China's domestic supply and demand, with the gradual increase of electrolytic aluminum productivity in Northwest China in 2012 and the domestic electricity subsidy measures promulgated in the first half of 2012, the production of many electrolytic aluminum enterprises was resumed, which drove the productivity of aluminum to rise despite the adversity. Although these impacts had rendered domestic and overseas markets a challenging business environment in 2012, various favourable factors, including "12th Five-Year Plans" for various industries issued by the Ministry of Industry and Information Technology of China, sustained investment in construction of infrastructure by China's central government, rapid progress of industrialization and urbanization of China, expansion of usage of aluminum materials and etc., have been a strong support to the continuous increase in the demand for aluminum products.

According to Antaike, the global production volume of primary aluminum in 2012 was approximately 47,590,000 tons, representing an increase of approximately 4.3% as compared with that of 2011. The global consumption of primary aluminum in 2012 amounted to approximately 47,200,000 tons, representing an increase of approximately 5.7% from the previous year. For the domestic market, the production volume of primary aluminum in China in 2012 was approximately 22,300,000 tons, representing an increase of approximately 13.8% as compared with that of 2011. Along with China's rapid development in areas such as construction, electricity and railway, the consumption of primary aluminum in China in 2012 amounted to approximately 21,950,000 tons, representing an increase of approximately 9.5% as compared with that of 2011.

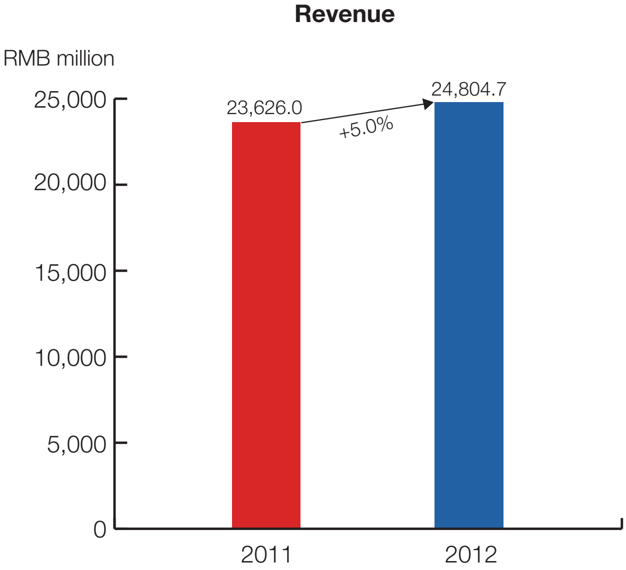
BUSINESS REVIEW

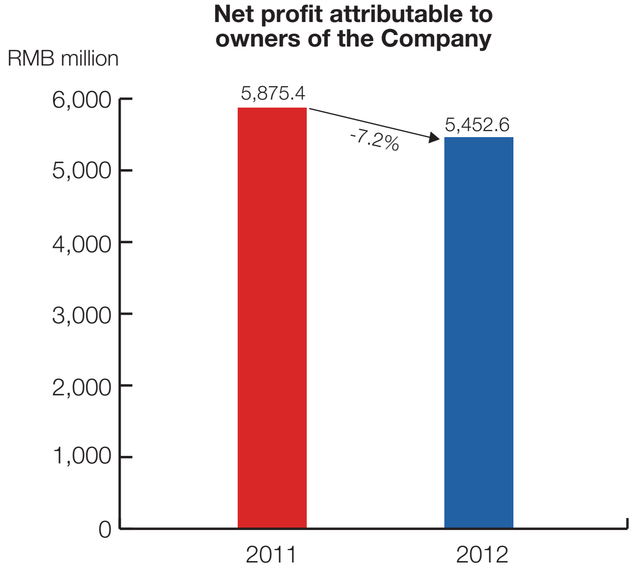
In 2012, the Group continued to enhance production capacity for aluminium products, thereby uplifting the self-supplied ratio of power and raw materials, expanding production chain as well as diversifying its products so as to further continuously improving its core competence and consolidate its leading position in the industry.

As of 31 December 2012, the Group's aggregate designed annual production capacity of aluminum products reached 2,016,000 tons (as of 31 December 2011: 1,776,000 tons), maintaining its position as the fourth largest aluminum product manufacturer in China (enterprise ranking source: Antaike). Driven by the increasing market demand, the Group's total output of aluminum products in 2012 amounted to approximately 1,821,000 tons, representing a year-on-year increase of approximately 14.2%. Output of aluminum alloy processed products reached approximately 38,000 tons.

During the Period under Review, to prepare for the future capacity expansion, in addition to our production bases in Zouping, Weiqiao and Binzhou, the Group's fourth production base in Huimin has commenced construction in the first half of 2012. This base has a designed annual production capacity for aluminum products of 600,000 tons, of which phase one with 200,000 tons production capacity of aluminum and ancillary captive power facilities are expected to come on stream in the first half of 2013.

The Group's revenue and net profit attributable to owners of the Company for the year ended 31 December 2012, with comparison figures for the year ended 31 December 2011, are as follows:





For the year ended 31 December 2012, the Group recorded revenue of approximately RMB24,804,742,000, representing a year-on-year growth of approximately 5.0%, mainly due to increases in the Group's sales volumes of aluminum products during the Year, which reached approximately 1,824,991 tons, representing an increase of approximately 15.1% from approximately 1,585,810 tons of sales volume in the previous year. The average selling price of our aluminum products decreased by approximately 8.0% from approximately RMB14,458 per ton in 2011 to approximately RMB13,297 per ton in 2012.

For the year ended 31 December 2012, net profit attributable to owners of the Company amounted to approximately RMB5,452,592,000, representing a year-on-year decrease of approximately 7.2%, mainly due to the decrease in the unit sale price of aluminum products as compared with the corresponding period of the previous year, and the decrease in profits resulted from the increase in part of the costs.

The table below is a comparison of the breakdown of revenue by products for the years ended 31 December 2012 and 2011:

Revenue breakdown by products

	For the year ended 31 December			
	2012		2011	
Products	**Revenue**	**Percentage of total revenue**	Revenue	Percentage of total revenue
	RMB'000	**%**	RMB'000	%
Molten aluminum alloy	**17,161,788**	**69.2**	16,972,433	71.8
Aluminum alloy ingots	**6,768,728**	**27.3**	5,845,640	24.7
Aluminum busbars	**107,062**	**0.4**	102,955	0.4
Aluminum alloy processed products	**228,534**	**0.9**	7,361	0.1
Steam	**538,630**	**2.2**	697,642	3.0
Total	**24,804,742**	**100.0**	23,626,031	100.0

As for our products, the Group's revenue derived from aluminum products was approximately RMB24,266,112,000, accounting for approximately 97.8% of total revenue for the year ended 31 December 2012, among which the percentage share of aluminum alloy ingots in the revenue increased while the percentage share of molten aluminum alloy in the revenue decreased, which was mainly resulted from the increase in the production volume of aluminum alloy ingots because of the commencement of the new production facilities during commissioning period, leading to a corresponding revenue increase and greater share of the revenue. Revenue derived from sales of steam was approximately RMB538,630,000, accounting for approximately 2.2% of our total revenue. The decrease in the revenue derived from sales of steam was mainly because the Group used part of the steam during the process of the major raw materials production, thus the steam available for sale decreased accordingly.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin derived from its major products for the years ended 31 December 2012 and 2011:

	For the year ended 31 December					
	2012			2011		
Products	**Revenue RMB'000**	**Gross profit RMB'000**	**Gross profit margin %**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Aluminum products	**24,266,112**	**7,849,194**	**32.3**	22,928,389	8,006,762	34.9
Steam	**538,630**	**154,254**	**28.6**	697,642	169,624	24.3
Total:	**24,804,742**	**8,003,448**	**32.3**	23,626,031	8,176,386	34.6

For the year ended 31 December 2012, the overall gross profit margin of the Group's products decreased by approximately 2.3 percentage points to approximately 32.3% as compared with approximately 34.6% in 2011. This was mainly due to the decrease in unit sale price of aluminum products as compared with the corresponding period of the previous year. With the gradual increase in self-supplied electricity ratio and the commencement of operation of major raw material production lines in producing aluminum products, the Group expects that these will bring positive impacts to our overall gross profit margin.

Distribution and selling expenses

The Group's distribution and selling expenses increased by approximately 33.2% to approximately RMB58,667,000 for the year ended 31 December 2012 from approximately RMB44,054,000 for the previous year, which was mainly attributable to an increase in relevant marketing expenses of the Group.

Administrative expenses

Administrative expenses of the Group for the year ended 31 December 2012 amounted to approximately RMB306,068,000, representing an increase of approximately 83.2% as compared with approximately RMB167,033,000 for the previous year. Such an increase was mainly due to, on the other hand, the increase in employee headcounts and their remuneration for the expansion of the Group's production scale; on the other hand, the Group's building of new plant and increase in prepaid lease payments resulted in the increase in local tax payables and amortization of prepayment, and the increased issuance of the letter of credit for imported bauxite and equipment resulted in the increase in bank charges.

Other expenses

For the year ended 31 December 2012, other expenses of the Group amounted to approximately RMB20,121,000, which was mainly due to the fees of professional parties engaged by the Group.

Finance costs

For the year ended 31 December 2012, finance costs of the Group were approximately RMB642,731,000, representing an increase of approximately 113.7% as compared with approximately RMB300,819,000 for the previous year. This was mainly due to an increase in bank loans as compared with the corresponding period of the previous year, resulting in an increase in interest expenses charged to the Group.

Liquidity and financial resources

As at 31 December 2012, cash and cash equivalents of the Group were approximately RMB9,174,943,000, representing an increase of approximately 22.6% as compared with that of approximately RMB7,484,795,000 as at 31 December 2011.

The Group principally satisfies its demand for operating capital through cash inflow from operations. For the year ended 31 December 2012, the Group had a net cash outflow from investing activities of approximately RMB11,644,177,000, a net cash inflow from financing activities of approximately RMB7,113,554,000 and a net cash inflow from operating activities of approximately RMB6,220,771,000.

For the year ended 31 December 2012, the capital expenditures of the Group amounted to approximately RMB11,626,986,000, mainly for the expansion of its aluminum production capacity, the project for the comprehensive utilization of coal fly ash in producing alumina and the construction of its captive power supply facilities. In 2013, as the Group will continue to drive the progress of the integration of aluminum and electricity as well as the integration of upstream and downstream businesses, it is expected that the capital expenses of the Group will increase over 2012.

As at 31 December 2012, the Group had a capital commitment of approximately RMB19,351,966,000, representing capital expenditure in respect of acquisition of property, plant and equipment, primarily for the construction of the alumina production plant in Indonesia and the aluminum advanced processing facilities, as well as the production capacity expansion for aluminium products and the captive power production facilities.

For the year ended 31 December 2012 the Group's average turnover days of trade receivables were the same as those of the previous year. It was mainly because the Group required prepayment before delivery, and if the value of actual shipment exceeded the prepayment, the Group would grant its customers a credit period of no more than 90 days, therefore, the Group's trade receivables turnover period was generally quite short.

For the year ended 31 December 2012, the Group's turnover days of inventory was approximately 55 days, representing an increase of approximately 19 days as compared with approximately 36 days of the previous year, which was mainly due to the increase in the inventory of raw materials required for its production with the expanded production scale of the Company.

Contingent liability

As of 31 December 2012, the Group had no contingent liability.

Income tax

The Group's income tax for 2012 amounted to approximately RMB1,947,961,000, representing a decrease of approximately 6.3% as compared with approximately RMB2,078,461,000 for the previous year, which was mainly attributable to the decrease of the Group's profit before taxation.

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

Net profit attributable to owners of the Company was approximately RMB5,452,592,000 for the year ended 31 December 2012, representing a decrease of approximately 7.2% as compared with approximately RMB5,875,410,000 in the previous year.

Basic earnings per share of the Company in 2012 were approximately RMB0.93 (2011: approximately RMB1.03).

Capital structure

The Group has built an appropriate liquidity risk management framework to secure its short-, medium- and long-term funding and to satisfy its liquidity management requirements. Cash and cash equivalents of the Group amounted to approximately RMB9,174,943,000 (31 December 2011: approximately RMB7,484,795,000) as at 31 December 2012 and were mainly deposited with commercial banks. It is used for ensuring the normal operation of the Group, capital expenditures of 2013 and repayment of short-term borrowings of the Group due in the first half of 2013. As at 31 December 2012, the total liabilities of the Group amounted to approximately RMB22,038,820,000 (31 December 2011: approximately RMB11,272,014,000). Gearing ratio (total liabilities to total assets) was approximately 49.7% (31 December 2011: approximately 38.0%).

The Group maintained a balanced portfolio of loans at fixed interest rates and variable interest rates to manage its interest expenses. As at 31 December 2012, approximately 40.5% of the Group's bank borrowings were subject to fixed interest rates while the remaining approximately 59.5% were subject to floating interest rates.

The Group used its restricted bank deposits, part of oversea subsidiaries' shares, trade receivables and prepaid lease payments as collateral for its bank borrowings to finance its daily operations and project construction. As of 31 December 2012, the Group's secured bank borrowings amounted to approximately RMB2,914,424,000 (31 December 2011: approximately RMB1,125,703,000).

The Group aims to maintain a balance between the continuity and flexibility of funds through bank loans. As at 31 December 2012, approximately 47.2% of the Group's bank borrowings will become due within one year.

As at 31 December 2012, the Group's bank borrowings were mostly denominated in Renminbi and US dollars accounting for approximately 54.1% and approximately 43.6% of the total bank borrowings, respectively. Cash and cash equivalents were mainly held in Renminbi, US dollars and HK dollars, among which approximately 5.0% of the cash and cash equivalents was held in US dollars and approximately 0.2% of the cash and cash equivalents was held in HK dollars.

Employee and remuneration policy

As at 31 December 2012, the Group had a total of 29,296 employees, representing an increase of 11,185 employees as compared with the previous year. As a result of the expansion of its production capacity during the Year under Review, the Group recruited additional staff to meet the needs of the Group's production and enrich our reserve of human resources at the same time. During the Year, total staff costs amounted to approximately RMB1,043,784,000, representing approximately 4.2% of our revenue. The remuneration packages of our employees include salary and various types of benefits.

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

Exposure to foreign exchange risk

The Group collected all of its revenue in Renminbi and funded most of its capital expenditures in Renminbi. As certain bank balances and borrowings are denominated in foreign currencies, we are exposed to certain currency risks. As of 31 December 2012, our bank balances denominated in foreign currencies were approximately RMB474,661,000, and bank borrowings denominated in foreign currencies were approximately RMB6,473,392,000. For the year ended 31 December 2012, the Group recognized foreign exchange loss of approximately RMB419,000.

The Group has not used any financial instruments to hedge against currency risk.

An alumina production company established overseas

On 27 December 2012, the Company entered into a joint venture agreement with Winning Investment (HK) Company Limited ("Winning Investment"), PT. Cita Mineral Investindo Tbk ("PT. Cita") and PT. Danpac Resources Kalbar ("PT. Danpac") in respect of the establishment of PT. Well Harvest Winning Alumina Refinery ("PT. Well Harvest"), to ensure the sufficient supply of upstream alumina and control the production cost. PT. Well Harvest is held as to 60% by the Company, 10% by Winning Investment, 25% by PT. Cita and 5% by PT. Danpac. Details of the Company's overseas establishment of PT. Well Harvest were disclosed in the announcement of the Company issued on 28 December 2012.

Directors and Senior Management

DIRECTORS

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

Name	Age	Position
ZHANG Shiping	66	Chairman and Executive Director
ZHENG Shuliang	66	Vice Chairman and Executive Director
ZHANG Bo	43	Chief Executive Officer and Executive Director
QI Xingli	48	Chief Financial Officer and Executive Director
YANG Congsen	43	Non-Executive Director
ZHANG Jinglei	36	Non-Executive Director
XING Jian	63	Independent Non-Executive Director
CHEN Yinghai	53	Independent Non-Executive Director
HAN Benwen	62	Independent Non-Executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 66, 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 New Material Co., Ltd ("Shandong Hongqiao") since July 1994. He held the positions of General Manager of Shandong Weiqiao Chuanye Group Company Limited (山東魏橋創業集團有限公司) ("Chuanye Group") (including its predecessor) from March 1996 to April 1998, the Chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (stock code: 2698.HK) (including its predecessor) from May 1998 to October 2000, a director of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) 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), Chairman of Shandong Weiqiao Investment Holding Limited (山東魏橋投資控股有限公司) (formerly named as Zouping Supply and Marketing Investment Co., Ltd (鄒平供銷投資有限公司)), Chairman of Zouping Supply and Marketing Investment Co., Ltd (鄒平供銷投資有限公司), Party Secretary of Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社), Chairman of China Hongqiao Holdings Limited (中國宏橋控股有限公司) ("Hongqiao Holdings") and Chairman of Weiqiao Pioneering (Hong Kong) Import & Export Company Limited. Mr. Zhang Shiping is the founder of our Group and joined Shardong Weiqiao Aluminum and Power Co. Ltd. (山東魏橋鋁電有限公司) ("Aluminum & Power") in December 2002 as a director. He has seven 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, 10th and 12th National People's Congress and was selected by the State Council as "National Model Worker in 1995". He is the husband of Ms. Zheng Shuliang, the father of Mr. Zhang Bo and the father-in-law of Mr. Yang Congsen.

Ms. Zheng Shuliang (鄭淑良), aged 66, was appointed the Vice Chairman and an Executive Director of our Company on 16 January 2011. She held the positions of the section chief, director of Metering Division of Raw Materials Purchase Department and deputy director of Raw Materials Supply Department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of Metering Department of Chuangye Group from June 1999 to June 2001. Ms. Zheng Shuliang joined our Group in July 2009 and has been a Director and Vice Chairman of Shandong Hongqiao. She is the wife of Mr. Zhang Shiping, the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen.

Mr. Zhang Bo (張波), aged 43, was appointed an Executive Director and Chief Executive Officer of our Company on 16 January 2011. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and obtained a bachelor's degree in economics in August 1996. He also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He is responsible for overseeing our Group's general operation, marketing and promotion for our Group. He has more than 14 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) (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, 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 and a director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) ("Hongqiao Trading") since April 2012. He is currently a director of Chuangye Group. Mr. Zhang Bo joined our Group in 2006 and has been the General Manager and the Chairman of the Board of Directors of Aluminum & Power since November 2006. Mr. Zhang Bo has 6 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 48, was appointed an Executive Director and the Chief Financial Officer of our Company on 16 January 2011. He graduated from Shandong Cadre Correspondence University (山東幹部函授大學) and obtained a university diploma in financial accounting in June 1998. He also obtained the certificate as an international certified senior accountant by the International Profession Certification Association in June 2010. He oversees our Group's finance and accounting functions and has over 19 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) 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, 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 a director of Hongqiao Trading since April 2012. Mr. Qi Xingli joined our Group in June 2010.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 43, was appointed a Non-Executive Director of our Company on 16 January 2011. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. Mr. Yang obtained a master's degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He was responsible for the production and operation of the self-owned power plants of our Group prior to the Listing and has over 12 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, and 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 36, was appointed a Non-Executive Director of our Company on 16 January 2011. He graduated from Xi'an Engineering College (西安工程學院) and obtained the junior college diploma in proximate analysis in July 1997. He joined Weiqiao Textile Company Limited (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 (魏橋紡織股份有限公司).

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 63, was appointed an Independent Non-Executive Director of our Company on 16 January 2011. He graduated from Correspondence Institute of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) and obtained a university diploma in economics and management in December 1995. He held the positions of Deputy Secretary and Secretary of Weiqiao Town of Zouping County from August 1982 to October 1985, Deputy Mayor of Zouping County from October 1985 to February 1987, Deputy Secretary and County Mayor of Gaoqing County from February 1987 to January 1994, Director and Party Secretary of Audit Bureau of Zibo City of Shandong Province from July 1994 to March 1999, Deputy Commissioner and Party Secretary of Special Commissioner Office of National Auditing Administration in Jinan from April 1999 to January 2001, Deputy Director of Head Office Service Bureau of National Auditing Administration from January 2001 to May 2002, Director of Building Materials Auditing Bureau of National Auditing Administration from May 2002 to August 2008 and auditor of Social Insurance Auditing Bureau of National Auditing Administration from August 2008 to June 2009.

Mr. Chen Yinghai (陳英海), aged 53, was appointed an Independent Non-Executive Director of our Company on 16 January 2011. He graduated from the School of Textile Science and Technology of Beijing Union University (北京聯合大學紡織工程學院) majoring in wool spinning and weaving and obtained the bachelor degree in engineering in July 1987. He held the position of the Deputy Section Head of China Non-cotton Yarns & Fabrics Import & Export Co. (中紡化纖毛麻進出口公司) from December 1990 to April 1991, employer of Chinatex Industry Co., Ltd (中紡實業有限公司) from May 1991 to November 1994, General Manager of Chinatex Singapore Trading Co. Ltd (中紡新加坡貿易有限公司) from December 1994 to November 1997, General Manager of Chinatex Cotton Yarns and Fabrics Import & Export Corp. (中紡紗布進出口公司) from March 1998 to December 2000, Director of representative office of Chinatex in Shanghai (中國紡織品進出口總公司) from March 2003 to May 2004. He is currently an Executive Director of RFH Equities Co. (融豐行投資有限公司) since October 2001.

Mr. Han Benwen (韓本文), aged 62, was appointed an Independent Non-Executive Director of our Company on 16 January 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognized by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. Mr. Han worked in Zouping County Audit Bureau (鄒平縣審計局) as a Clerical Officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) ("Jianxin", formerly known as Zouping Jianxin Certified Public Accountants Corporation) as an accountant from December 1999 to February 2007. He is currently working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

SENIOR MANAGEMENT

Ms. Zhang Ruilian (張瑞蓮), aged 35, 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 12 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 and a director of Hongqiao Trading since April 2012. She is currently the Manager of accounting department of Aluminum & Power and Manager of accounting department of Shandong Hongqiao.

Mr. Deng Wenqiang (鄧文強), aged 41, is the Vice President of our Company. He graduated from Kunming University of Science and Technology (昆明理工大學) and obtained a bachelor's degree in non-ferrous metal metallurgy in July 1995 and is a qualified engineer. Mr. Deng Wenqiang joined our Group in January 2003. He is responsible for the production, research and development of aluminum products of our Group. Mr. Deng Wenqiang previously held the positions of Workshop Director, Vice Factory Director and Factory Director of Aluminum & Power from January 2003 to June 2006. He is currently the Deputy General Manager of Aluminum & Power and Deputy General Manager of Shandong Hongqiao as well as the executive director and manager of Huimin Huihong New Aluminum Profiles Co., Ltd. In 2000, he was awarded the first prize for his quality control achievements by Shandong Province Metallurgical Industry Corporation. In 2005, he was recognized as the Advanced Individual of Science and Technology Work by Shandong Province Metallurgical Industry Corporation. He was elected as the representative of the 15th People's Congress of Zouping County and the 9th People's Congress of Binzhou Municipality.

JOINT COMPANY SECRETARIES

Ms. Zhang Yuexia (張月霞), aged 37, was appointed the Secretary of our Company on 16 January 2011. She graduated from Binzhou Normal Specialised Postsecondary College (濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She has over 11 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, the Deputy Manager of the securities department of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) from March 2008 to January 2010 and a director of Hongqiao Trading since April 2012. Ms. Zhang Yuexia had not served any position in our Group prior to 16 January 2011.

Ms. Ho Wing Yan (何詠欣), aged 31, was appointed the Secretary of our Company on 16 January 2011. She graduated from Hong Kong Baptist University (香港浸會大學) and obtained a bachelor's degree in business administration (applied economics) in November 2004. She has also obtained a master's degree of corporate governance from the Open University of Hong Kong (香港公開大學) in June 2009. She was admitted as an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in November 2009. She is also a holder of the Practitioner's Endorsement issued by The Hong Kong Institute of Chartered Secretaries. Ms. Ho has extensive experience in the company secretarial field for listed companies.

The directors of the Company present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2012 and the financial position of the Group as at 31 December 2012 are set out on pages 41 to 42 in the audited consolidated financial statements of this annual report.

The Board has recommended the payment of a final dividend of HK$26.0 cents per share for the year ended 31 December 2012. The proposed final dividends, subject to the approval of the shareholders at the forthcoming annual general meeting, will be paid on 7 June 2013 to the shareholders whose names appear on the register of members of the Company on 24 May 2013.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Friday, 3 May 2013 to Tuesday, 7 May 2013 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the forthcoming annual general meeting of the Company and vote at the meeting, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Thursday, 2 May 2013. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The share register of the Company will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the final dividend, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Tuesday, 21 May 2013. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group for the years ended 31 December 2008, 2009, 2010 and from the audited consolidated financial statements of the Group for the years ended 31 December 2011 and 2012 on pages 41 to 42 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2008	2009	2010	2011	**2012**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
CONTINUING OPERATIONS					
Revenue	8,772,162	8,668,428	15,131,591	23,626,031	**24,804,742**
Cost of sales	(8,238,706)	(7,769,098)	(9,389,722)	(15,449,645)	**(16,801,294)**
Gross profit	533,456	899,330	5,741,869	8,176,386	**8,003,448**
Other income and gain and loss	178,649	97,216	210,535	311,960	**422,439**
Distribution and selling costs	(52,849)	(40,961)	(19,977)	(44,054)	**(58,667)**
Administrative expenses	(83,734)	(92,335)	(112,038)	(167,033)	**(306,068)**
Other expenses	–	–	(42,815)	(22,569)	**(20,121)**
Finance costs	(193,018)	(89,243)	(192,990)	(300,819)	**(642,731)**
Changes in the fair value of the compound derivative component	–	–	–	–	**2,253**
Profit before taxation	382,504	774,007	5,584,584	7,953,871	**7,400,553**
Income tax expense	(98,921)	(196,924)	(1,395,868)	(2,078,461)	**(1,947,961)**
Profit for the year from continuing Operations	283,583	577,083	4,188,716	5,875,410	**5,452,592**
DISCONTINUED OPERATIONS					
Profit (loss) for the year from discontinued operations	145,291	(9,441)	31,515	–	**–**
Profit for the year	428,874	567,642	4,220,231	5,875,410	**5,452,592**
Profit and total comprehensive income attributable to					
Owners of the Company	420,297	556,289	4,195,738	5,875,410	**5,452,592**
Non-controlling interests	8,577	11,353	24,493	–	**–**

Assets and liabilities

	As at 31 December				
	2008	2009	2010	2011	**2012**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	11,151,792	11,387,261	13,345,696	29,669,048	**44,376,717**
Total liabilities	8,571,943	8,239,770	6,043,155	11,272,014	**22,038,820**

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2012 are set out in Note 14 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

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

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the changes in share capital of the Company during the year ended 31 December 2012 and as at that date are set out in Note 29 to the consolidated financial statements. The Company does not have any share option scheme.

PRE-EMPTIVE RIGHTS

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

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2012 and up to and including the date of this annual report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2012 and up to the date of this annual report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares or debentures of the Company or any other associated corporations, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debentures of the Company or any other associated corporations or had exercised any such right in the period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The shares of the Company has been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 24 March 2011. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2012 and up to the date of this annual report.

CONVERTIBLE BONDS

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

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

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2012 are in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Group's reserves amounted to approximately RMB21,927,049,000, of which approximately RMB5,626,295,000 was capital reserve, approximately RMB2,410,791,000 was statutory surplus reserve and approximately RMB13,889,963,000 was retained earnings. The Group's profits of approximately RMB13,678,329,000 generated from 1 January 2008 up to 31 December 2012 will not be distributed in the foreseeable future.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2012, sales to the Group's five largest customers accounted for 60.6% of the Group's total sales for the year ended 31 December 2012, and sales to its largest customer accounted for 33.6% of the Group's total sales for the year ended 31 December 2012.

During the year ended 31 December 2012, purchases from the Group's five largest suppliers accounted for 51.3% of the Group's total purchases for the year ended 31 December 2012, and purchases from the Group's largest supplier accounted for 42.8% of the Group's total purchases for the year ended 31 December 2012.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENTS OF DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

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

Executive Directors:

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

Non-Executive Directors:

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors:

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

DIRECTORS AND SENIOR MANAGEMENT

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

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year ended 31 December 2012 and up to the date of this annual report.

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

As at 31 December 2012, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Notes:

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

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

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

Save as disclosed above, as at 31 December 2012, no other person had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

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

As at 31 December 2012, the Directors and chief executive had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules, were as follows:

Long positions in the shares of the Company

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

Notes:

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

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

Save as disclosed above, as at 31 December 2012, none of the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 had or were deemed or taken to have an interest or short position in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangements to enable the directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year and up to the date of this annual report.

CONNECTED TRANSACTIONS

The related party transactions disclosed in Note 36 to the financial statements constituted connected transactions under the Listing Rules, and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules.

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

(i) Terms of the Agreement

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

(ii) Pricing

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

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

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

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

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

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

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

During the year, the purchase of carbon anode blocks from Aluminum Technology amounted to RMB 262,367,000 which was below the 2012 annual cap of RMB 375,000,000. The sales of slag of carbon anode blocks to Aluminum Technology amounted to RMB 24,875,000, which was below the 2012 annual cap of RMB 27,000,000.

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

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

(ii) on normal commercial terms; and

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

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

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

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

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

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

PENSION SCHEME

Details of the pension scheme of the Group are set out in Note 37 to the consolidated financial statements.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2012 and up to the date of this annual report.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

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

Pursuant to Code A.1.8 of the CG Code, issuers should arrange appropriate insurance coverage for directors' liabilities in respect of legal actions against the directors. As disclosed in the interim report of the Company dated 23 August 2012, the Group had not yet identified any insurer who would provide insurance service to the Group at satisfactory commercial terms as at 30 June 2012. As at 31 December 2012, the Group has already identified an insurer who would provide insurance service to the Group at satisfactory commercial terms.

Saved as the above mentioned, for the year ended 31 December 2012, the Company was in compliance with the mandatory code provisions of the CG Code.

SUFFICIENCY OF PUBLIC FLOATING

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

DEED OF NON-COMPETITION

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

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with the Code of Best Practices for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of three independent non-executive Directors. An Audit Committee meeting was held on 8 March 2013 to review the consolidated financial statements of the Group for the year ended 31 December 2012. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2012 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

INTERNATIONAL AUDITORS

Deloitte Touche Tohmatsu was the Company's international auditors for the year ended 31 December 2012. A resolution for the reappointment of Deloitte Touche Tohmatsu as the international auditors of the Company will be proposed at the Annual General Meeting.

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

8 March 2013

CORPORATE GOVERNANCE

China Hongqiao believes that good corporate governance can create values for the shareholders. The Board is committed to strengthening its corporate governance to ensure that the Company conducts its business in an honest, transparent and responsible manner and to promoting the development of the Company and the interest of the shareholders.

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

Pursuant to Code A.1.8 of the CG Code, issuers should arrange appropriate insurance coverage for directors' liabilities in respect of legal actions against the directors. As disclosed in the interim report of the Company date 23 August 2012, the Group had not yet identified any insurer who would provide insurance service to the Group at satisfactory commercial terms as at 30 June 2012. As at 31 December 2012, the Group has already identified an insurer who would provide insurance service to the Group at satisfactory commercial terms.

Saved as the above mentioned, for the year ended 31 December 2012, the Company was in compliance with the mandatory code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries with the Directors, the Company confirmed that each of the Directors has complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2012.

THE BOARD OF DIRECTORS

As at 31 December 2011, the Board of the Company comprised four executive Directors, two non-executive Directors, three independent non-executive Directors.

The Board members are as follows:

Executive Directors

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

Non-Executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors

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

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

Responsibilities

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

Delegation of management function

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

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

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

Appointment and re-election of directors

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

Each of the Directors has entered into a service contract with the Company for an initial term of three years with effect from their respective date of appointment unless terminated by not less than one month's notice in writing served by either the executive Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the articles of association. At the annual general meeting held by the Company on 3 May 2012, Ms. Zheng Shuliang, Mr. Qi Xingli, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Xing Jian, Mr. Chen Yinghai and Mr. Han Benwen were re-elected as Directors of the Company.

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

Induction training and development

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

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. The company secretary regularly circulates materials of training courses which may be of interest to Directors. All Directors are encouraged to attend relevant training courses at the Company's expense. Since January 2012, all Directors have been required to provide the Company with their training records, and relevant records have been maintained by the company secretary.

Performance evaluation

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure improvement in its functioning. During 2012, the Board had conducted the evaluation of its performance.

Number of meetings and Directors' attendance

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

As at the year ended 31 December 2012, seven board meetings either in person or through other electronic means of communication were held and the attendance records of individual Directors are set out below:

Name of Directors	Number of Board Meetings Attended/Held	Number of General Meetings Attended/Held
Executive Directors		
Mr. ZHANG Shiping	7/7	1/1
Ms. ZHENG Shuliang	7/7	1/1
Mr. ZHANG Bo	7/7	1/1
Mr. QI Xingli	7/7	1/1
Non-Executive Directors		
Mr. YANG Congsen	7/7	1/1
Mr. ZHANG Jinglei	7/7	1/1
Independent Non-Executive Directors		
Mr. XING Jian	7/7	1/1
Mr. CHEN Yinghai	7/7	1/1
Mr. HAN Benwen	7/7	1/1

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

TERMS OF OFFICE OF DIRECTORS

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

SUBORDINATE COMMITTEES OF THE BOARD

- Audit Committee
- Remuneration Committee
- Nomination Committee

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

A. AUDIT COMMITTEE

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

The composition of the Audit Committee

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

Roles and functions

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

The Company's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee.

As at the year ended 31 December 2012, the Audit Committee held two meetings during the year, and the attendance record of individual Committee members are set out below:

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

B. REMUNERATION COMMITTEE

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

The composition of the Remuneration Committee

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

Roles and functions

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

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

As at the year ended 31 December 2012, the Remuneration Committee held one meeting during the year to fulfill the duties as required aforesaid and the attendance record of individual Committee members are set out below:

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

C. NOMINATION COMMITTEE

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

The Nomination Committee was established on 16 January 2011. As at the year ended 31 December 2012, the Nomination Committee held one meeting during the year, and the attendance record of individual Committee members are set out below:

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2012

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2012.

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 of the Company according to the results of their auditing work, and reporting to the Company on the same.

During the Year, the remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2012 amounted to RMB3,900,000.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors is responsible for the effectiveness of the internal control system. Relevant procedures have been designed for safeguarding assets against unauthorised use or disposal, controlling excessive capital expenditure, maintaining proper accounting records, and the reliability of financial information used in the operations or for publication. The Group has appointed an external consultant for internal control to review and provide opinions on the Group's internal control for the year ended 31 December 2012. The Group has discussed with such external consultant for internal control in respect of the issues of internal control, therefore the Group's internal control system were improved constantly. Qualified management personnel of the Company will maintain and monitor the internal control system on a going concern basis.

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

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary, Ms. Zhang Yuexia. The company secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with the shareholders and the management. As at 31 December 2012, the company secretary undertook over 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 92, which comprise the consolidated statement of financial position of the Group as at 31 December 2012, 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 2012, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8 March 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	5	**24,804,742**	23,626,031
Cost of sales		**(16,801,294)**	(15,449,645)
Gross profit		**8,003,448**	8,176,386
Other income and gain and loss	6	**422,439**	311,960
Distribution and selling expenses		**(58,667)**	(44,054)
Administrative expenses		**(306,068)**	(167,033)
Finance costs	7	**(642,731)**	(300,819)
Other expenses		**(20,121)**	(22,569)
Changes in fair value of compound derivative	28	**2,253**	–
Profit before taxation	8	**7,400,553**	7,953,871
Income tax expense	11	**(1,947,961)**	(2,078,461)
Profit and total comprehensive income for the year		**5,452,592**	5,875,410
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**5,452,592**	5,875,410
Non-controlling interests		**–**	–
		5,452,592	5,875,410
Earnings per share	12		
Basic (RMB)		**0.93**	1.03
Diluted (RMB)		**0.92**	N/A

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	14	**26,711,299**	16,424,458
Prepaid lease payments – non-current portion	15	**1,044,404**	937,128
Deferred tax assets	16	**57,495**	43,616
Deposits paid for acquisition of property, plant and equipment		**1,705,469**	1,400,011
		29,518,667	18,805,213
Current assets			
Prepaid lease payments-current portion	15	**22,394**	19,726
Inventories	17	**3,110,727**	1,908,646
Trade receivables	18	**43,672**	1,438
Bills receivable	19	**1,319,684**	1,312,960
Prepayments and other receivables	20	**314,542**	121,802
Restricted bank deposits	21	**872,088**	14,468
Bank balances and cash	21	**9,174,943**	7,484,795
		14,858,050	10,863,835
Current liabilities			
Trade payables	22	**1,097,744**	1,216,259
Bills payable	23	**200,000**	–
Other payables	24	**3,871,241**	2,644,583
Income tax payable		**244,895**	137,879
Bank borrowings – due within one year	25	**6,659,235**	3,210,610
Held-for-trading financial liabilities	27	**1,084**	–
		12,074,199	7,209,331
Net Current Assets		**2,783,851**	3,654,504
Total Assets less Current Liabilities		**32,302,518**	22,459,717
Capital and Reserves			
Share capital	29	**386,206**	386,206
Share premium and reserves		**21,927,049**	18,010,828
Equity attributable to owners of the Company		**22,313,255**	18,397,034
Non-controlling interests		**24,642**	–
Total Equity		**22,337,897**	18,397,034
Non-current Liabilities			
Bank borrowings – due after one year	25	**7,443,657**	3,981,593
Medium-term debentures	26	**1,486,640**	–
Deferred tax liabilities	16	**73,763**	81,090
Convertible bonds – Liability component	28	**729,411**	–
Convertible bonds – Derivative component	28	**231,150**	–
		9,964,621	4,062,683
		32,302,518	22,459,717

The consolidated financial statements on pages 41 to 92 were approved and authorised for issue by the Board of Directors on 8 March 2013 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 2012

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 1)	Statutory surplus reserve RMB'000 (Note 2)	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2011	69	–	793,349	1,028,660	5,480,463	7,302,541	–	7,302,541
Profit and total comprehensive income for the year	–	–	–	–	5,875,410	5,875,410	–	5,875,410
Capitalisation of share premium (Note 29(a))	328,059	(328,059)	–	–	–	–	–	–
Issue of shares	58,078	5,306,954	–	–	–	5,365,032	–	5,365,032
Transaction costs attributable to issue of shares	–	(145,949)	–	–	–	(145,949)	–	(145,949)
Transfer to reserves	–	–	–	820,824	(820,824)	–	–	–
At 31 December 2011	386,206	4,832,946	793,349	1,849,484	10,535,049	18,397,034	–	18,397,034
Profit and total comprehensive income for the year	–	–	–	–	5,452,592	5,452,592	–	5,452,592
Dividend recognised as distribution (Note 13)	–	–	–	–	(1,536,371)	(1,536,371)	–	(1,536,371)
Acquisition of a subsidiary (Note 32)	–	–	–	–	–	–	24,642	24,642
Transfer to reserves	–	–	–	561,307	(561,307)	–	–	–
At 31 December 2012	386,206	4,832,946	793,349	2,410,791	13,889,963	22,313,255	24,642	22,337,897

Notes:

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

(2) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China ("PRC"), those subsidiaries are required to transfer 5% to 10% of the profit after taxation reported under the relevant accounting policies and financial regulations in the PRC (the "PRC GAAP") to the statutory surplus reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity owners. The statutory surplus reserve can be used to make up previous year's losses, expand the existing operations or convert into additional capital of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 RMB'000	2011 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**7,400,553**	7,953,871
Adjustments for:		
Interest income	**(28,555)**	(11,156)
Finance costs	**642,731**	300,819
Depreciation of property, plant and equipment	**1,340,046**	840,736
Loss on disposal of property, plant and equipment	**240**	–
Loss from changes in fair value of financial liabilities at fair value through profit or loss	**1,084**	–
Gain on fair value changes of compound derivative	**(2,253)**	–
Release of prepaid lease payments	**21,921**	7,611
Operating cash flows before movements in working capital	**9,375,767**	9,091,881
Increase in inventories	**(1,202,081)**	(786,546)
Increase in receivables, deposits and prepayments	**(240,824)**	(393,173)
Increase (decrease) in payables, deposits received and accrued charges	**150,060**	(261,232)
Cash generated from operations	**8,082,922**	7,650,930
Income tax paid	**(1,862,151)**	(2,020,851)
Net cash generated from operating activities	**6,220,771**	5,630,079
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(10,708,031)**	(8,169,372)
Addition to prepaid lease payments	**(131,865)**	(808,321)
Acquisition of a subsidiary (Note 32)	**24,784**	–
Interest received	**28,555**	11,156
Placement of restricted bank deposits	**(1,356,923)**	(15,527)
Withdrawal of restricted bank deposits	**499,303**	83,709
Net cash used in investing activities	**(11,644,177)**	(8,898,355)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	5,365,032
Shares issue expenses paid	**–**	(145,949)
Dividends paid	**(1,536,371)**	–
Proceeds from issue of convertible bonds	**945,525**	–
Payment of transaction costs on issue of convertible bonds	**(27,765)**	–
New bank borrowings raised	**15,298,385**	4,614,895
Repayment of bank borrowings	**(8,387,696)**	(1,456,542)
New other borrowings raised	**1,341,882**	–
Repayment to other borrowings	**(1,341,882)**	–
Proceeds from issue of medium-term debentures raised	**1,500,000**	–
Payment of transaction costs on issue of medium-term debentures	**(13,658)**	–
Interest paid	**(664,866)**	(293,934)
Net cash generated from financing activities	**7,113,554**	8,083,502
Net increase in cash and cash equivalents	**1,690,148**	4,815,226
Cash and cash equivalents at beginning of the year	**7,484,795**	2,669,569
Cash and cash equivalents at end of the year, represented by bank balances and cash	**9,174,943**	7,484,795

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

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

The principal activities of its subsidiaries are set out in Note 38.

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

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

In the current year, the Group has applied, for the first time, the following amendments to standards issued by the International Accounting Standards Board ("IASB") which have become effective.

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, the adoption of the amendments to standards in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 7 Financial Instruments Disclosures-Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 *Financial Instruments Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various suppliers to transfer to the suppliers its contractual rights to receive cash flows from certain bills receivable. The arrangements are made through endorsing those bills receivable to suppliers on a full recourse basis. Specifically, if the bills receivable are not paid at maturity, the suppliers have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables and other payables were included in the consolidated statement of financial position accordingly (see notes 22 and 24). The relevant disclosures have been made regarding the transfer of these bills receivable on application of the amendments to IFRS 7 (see note 19).

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

Amendments to IFRS 7 Financial Instruments Disclosures-Transfers of Financial Assets (Continued)

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 7	Disclosures-Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition and Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013
[2] Effective for annual periods beginning on or after 1 January 2014
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012

Annual Improvements to IFRSs 2009 – 2011 Cycle issued in June 2012

The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include the amendments to IAS 16 Property, Plant and Equipment and the amendments to IAS 32 Financial Instruments: Presentation.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise.

The amendments to IAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

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

IFRS 9 "Financial Instruments"

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

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

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, 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 ("FVTPL") was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors of the Company anticipate the standard will be adopted in the Group's consolidated financial statements for the year beginning on 1 January 2015. The application of IFRS 9 will not affect the classification and measurement of the Group's financial assets or liabilities based on an analysis of the Group's financial assets and liabilities as at 31 December 2012.

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 10 is effective for annual periods beginning on 1 January 2013, with earlier application permitted. The directors of the Company anticipate that the application of IFRS 10 have no material impact on the results and the financial position of the Group.

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

IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of IFRS 12 is that entities should disclose information that helps users of financial statements evaluate the nature of and risks associated with its interests in other entities and the effects of those interests on financial statements. The disclosure requirements set out in IFRS 12 are more extensive than those in the current standards. Significant effort may be required to collect the necessary information.

IFRS 12 is effective for annual periods beginning on 1 January 2013. The directors of the Company anticipate that the application of IFRS 12 may result in more extensive disclosures in the consolidated financial statements.

IFRS 13 "Fair value measurement"

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. This standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 "Financial instruments: Disclosures" will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on 1 January 2013. The directors of the company anticipate that the application of IFRS 13 may result in more extensive disclosures in the consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS and on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of a subsidiary classified as an asset acquisition

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

Revenue recognition

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

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

Revenue from steam supply is recognised when steam is provided.

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

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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

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

Leases

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land and building

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

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

Foreign currencies

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

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

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

Borrowing costs

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

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Impairment of tangible assets

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

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

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

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

Financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

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

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.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment for loans and receivables could include:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds

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

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

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

Derivative financial instruments

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

Embedded derivatives

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

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

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

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

Provisions

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of inventories

The Group's management assesses periodically whether the inventories have been suffered from any impairment based on estimate on the net realisable value of the inventory. For different types of inventories, it requires the exercise of accounting estimates on selling price, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2012, the carrying amount of inventories are approximately RMB3,110,727,000 (2011: RMB1,908,646,000) as disclosed in Note 17.

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 14. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and keen competitions from competitors. Management will increase the depreciation charge where residual value or useful lives are less than previously estimated, or it will write-off or write-down technically obsolete assets.

Impairment of property, plant and equipment

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

At 31 December 2012, 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 2012, the carrying amount of property, plant and equipment are approximately RMB26,711,299,000 (2011:RMB16,424,458,000) as disclosed in Note 14.

Convertible bonds

As described in Note 28, the Company's convertible bonds contain a number of embedded derivatives that are remeasured to FVTPL at the end of each reporting period. The Company engaged an independent appraiser to assist the directors of the Company in determining the fair value of these embedded derivatives. The independent appraiser uses his judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For valuation of derivative financial instruments, assumptions are made based on quoted market rates to the extent possible and adjusted for specific features of the instrument. As at 31 December 2012, the fair value of the embedded derivatives is approximately RMB231,150,000 as disclosed in Note 28. Any changes in the assumptions of the valuation model will have a material effect on the fair value of the embedded derivatives of the convertible bonds.

5. REVENUE AND SEGMENT INFORMATION

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

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

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

	2012 RMB'000	2011 RMB'000
Revenue from		
Sales of goods		
Aluminum products		
– molten aluminum alloy	**17,161,788**	16,972,433
– aluminum alloy ingots	**6,768,728**	5,845,640
– aluminum alloy casting-rolling plate	**228,534**	7,361
– aluminum busbars	**107,062**	102,955
Steam supply income	**538,630**	697,642
	24,804,742	23,626,031

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

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

	2012 RMB'000	2011 RMB'000
Customer A	**8,324,216**	7,903,513
Customer B	**3,032,614**	3,763,358

6. OTHER INCOME AND GAIN AND LOSS

	2012 RMB'000	2011 RMB'000
Interest income	**28,555**	11,156
Net gain on sales of raw materials (Note)	**85,756**	46,538
Revenue from sales of slag of carbon anode blocks	**278,010**	257,861
Foreign exchange losses, net	**(419)**	(25,782)
Loss on disposal of property, plant and equipment	**(240)**	–
Loss from changes in fair value of financial liabilities at FVTPL	**(1,084)**	–
Others	**31,861**	22,187
	422,439	311,960

Note:

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

	2012 RMB'000	2011 RMB'000
Revenue from sales of raw materials	**126,613**	57,559
Expenses related to sales of raw materials	**(40,857)**	(11,021)
	85,756	46,538

7. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest expenses on bank borrowings		
– wholly repayable within five years	**566,400**	330,281
Interest expenses on convertible bonds (Note 28)	**69,180**	–
Interest expenses on other borrowings (Note i)	**19,264**	
Interest expenses on medium-term debentures	**6,042**	–
Transaction cost relating to compound derivative		
– component of convertible bonds (Note 28)	**6,854**	–
Arrangement fee of syndicated loan (Note ii)	**63,705**	–
Less: amounts capitalised under construction in progress	**(88,714)**	(29,462)
	642,731	300,819

Notes:

i During the year, the Company had other borrowings amounting to approximately RMB1,341,822,000, which represented the loans of US$152,000,000 (equivalent to RMB961,385,000) and HK$466,680,000 (equivalent to RMB380,437,000). The loans were lent by three independent third parties for a term of two years and are unsecured and interest bearing.

ii During the year, the Company early repaid the syndicated loan and the corresponding arrangement fee of approximately RMB63,705,000 was recognised as an expense.

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 6.28% (2011: 5.88%) per annum to expenditure on qualifying assets.

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2012 RMB'000	2011 RMB'000
Staff cost:		
Directors' and chief executive's emoluments (Note 9)	**5,379**	5,340
Other staff costs:		
– Wages and salaries	**1,010,620**	536,089
– Retirement benefit schemes contributions	**27,785**	16,082
Total staff costs	**1,043,784**	557,511
Auditors' remuneration	**3,900**	3,500
Depreciation of property, plant and equipment	**1,340,046**	840,736
Cost of inventories recognised as an expense	**16,744,399**	15,362,093
Release of prepaid lease payments	**21,921**	7,611
Listing expenses	**–**	15,842

9. DIRECTORS' EMOLUMENTS

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

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

9. DIRECTORS' EMOLUMENTS (Continued)

	Fees RMB'000	Salaries and other benefits-in-kind RMB'000	Contribution to retirement benefit scheme RMB'000	Total RMB'000
Year ended 31 December 2011				
Executive directors				
Mr. Zhang	1,500	77	–	1,577
Zheng Shuliang	500	52	–	552
Zhang Bo	800	69	5	874
Qi Xingli	700	63	5	768
Sub-total	3,500	261	10	3,771
Non-executive directors				
Yang Congsen	600	64	5	669
Zhang Jinglei	300	–	–	300
Sub-total	900	64	5	969
Independent non-executive directors				
Xing Jian	200	–	–	200
Chen Yinghai	200	–	–	200
Han Benwen	200	–	–	200
Sub-total	600	–	–	600
Total	5,000	325	15	5,340

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

In the year ended 31 December 2012 and 2011, none of the directors waived any emoluments.

10. EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

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

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

11. INCOME TAX EXPENSE

	2012 RMB'000	2011 RMB'000
The charge comprises:		
Current tax		
PRC enterprise income tax	**1,957,044**	2,000,756
Hong Kong Profits Tax	**12,123**	–
Deferred tax charge (credit) (Note 16)	**(21,206)**	77,705
	1,947,961	2,078,461

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

In addition, the EIT Law provides that qualified dividend income between two "PRC-resident enterprises" that have a direct investment relationship is exempted from income tax. Otherwise, such dividends will be subject to a 5% to 10% withholding tax under the tax treaty or the domestic law. The Group is currently subject to withholding tax at 5%. Included in PRC enterprise income tax is an amount of RMB81,090,000 withholding tax on such dividend income.

The PRC enterprise income tax includes PRC enterprise income tax and withholding tax on dividend income between group entities on the taxable income of subsidiaries established in the PRC.

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

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

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

	2012 RMB'000	2011 RMB'000
Profit before taxation	**7,400,553**	7,953,871
Tax at the PRC enterprise income tax rate of 25% (2011: 25%)	**1,850,139**	1,988,468
Tax effect of expenses not deductible	**230**	237
Tax effect of tax losses not recognised	**30,074**	8,666
Effect of different tax rates of subsidiaries	**(6,245)**	–
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**73,763**	81,090
Tax charge for the year	**1,947,961**	2,078,461

12. EARNINGS PER SHARE

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

Earnings

	2012 RMB'000	2011 RMB'000
Earnings for the purpose of basic earnings per share	**5,452,592**	5,875,410
Profit for the year attributable to owners of the company		
Effect of effective interest on the liability component of convertible bonds (Note 28)	**69,180**	N/A
Effect of gain recognised on the compound derivative component of convertible bonds (Note 28)	**(2,253)**	N/A
Earnings for the purpose of diluted earnings per share	**5,519,519**	N/A

Weighted average number of shares

	2012 '000 shares	2011 '000 shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,885,000**	5,684,000
Effect of conversion of convertible bonds	**122,829**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,007,829**	N/A

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2011 has been adjusted for the effect of 4,999,000,000 ordinary shares issued pursuant to the capitalisation issue completed on 24 March 2011.

During the year ended 31 December 2011, no diluted earnings per share is presented as there is no potential ordinary shares outstanding.

13. DIVIDENDS

Dividends recognised as distribution during the year:

	2012 RMB'000	2011 RMB'000
2011 final dividend – HK$32 cents per share	**1,536,371**	–

During the current year, a final dividend of HK$1,530,100,000 (equivalent to approximately RMB1,240,682,000) at HK$26 cents per share in respect of the year ended 31 December 2012, based on 5,885,000,000 shares as at 31 December 2012, has been proposed by the directors of the Company and is subject to the approval by the shareholders in the forthcoming annual general meeting.

The final dividend of HK$1,883,200,000 (equivalent to approximately RMB1,536,371,000) at HK$32 cents per share in respect of the year end 31 December 2011, was approved by shareholders in the annual general meeting in May 2012 and paid to the owners of the Company.

14. 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 2011	2,525,574	6,727,927	18,446	2,668	316,969	9,591,584
Additions	37,189	41,142	12,468	853	9,061,881	9,153,533
Transfers	1,641,834	3,844,677	–	–	(5,486,511)	–
At 31 December 2011	4,204,597	10,613,746	30,914	3,521	3,892,339	18,745,117
Additions	28,389	324,522	540	1,381	11,272,154	11,626,986
Acquired on acquisition of a subsidiary (Note 32)	–	–	–	141	–	141
Transfers	4,521,460	4,740,427	1,648	1,035	(9,264,570)	–
Disposals	(247)	–	–	–	–	(247)
At 31 December 2012	**8,754,199**	**15,678,695**	**33,102**	**6,078**	**5,899,923**	**30,371,997**
DEPRECIATION						
At 1 January 2011	391,147	1,083,657	4,108	1,011	–	1,479,923
Provided for the year	214,638	623,096	2,463	539	–	840,736
At 31 December 2011	605,785	1,706,753	6,571	1,550	–	2,320,659
Provided for the year	257,168	1,079,180	2,919	779	–	1,340,046
Disposals	(7)	–	–	–	–	(7)
At 31 December 2012	**862,946**	**2,785,933**	**9,490**	**2,329**	**–**	**3,660,698**
CARRYING AMOUNT						
At 31 December 2012	**7,891,253**	**12,892,762**	**23,612**	**3,749**	**5,899,923**	**26,711,299**
At 31 December 2011	3,598,812	8,906,993	24,343	1,971	3,892,339	16,424,458

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

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

15. 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 2011	156,144
Additions	808,321
Released	(7,611)
At 31 December 2011	956,854
Additions	131,865
Released	(21,921)
At 31 December 2012	1,066,798

	2012 **RMB'000**	2011 RMB'000
Prepaid lease payments related to land use rights analysed for reporting purposes as:		
Current assets	**22,394**	19,726
Non-current assets	**1,044,404**	937,128
	1,066,798	956,854

The amount represents the prepayment of rentals for land use rights in the PRC for a period of 41 to 49 years. The Group has pledged land use right as disclosed in Note 33.

Land use rights with carrying amount of RMB34,862,000 (2011: Nil) located in the PRC which the Group is in the process of obtaining the land use right certificates.

16. DEFERRED TAX ASSETS/LIABILITIES

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

	Fair value changes of held-for-trading financial liabilities RMB'000	Excess of accounting depreciation over tax depreciation RMB'000	Undistributed profits of subsidiary RMB'000	Unrealised profit on intra-group sales RMB'000	Total RMB'000
At 1 January 2011	–	16,766	–	23,465	40,231
Credit (charge) to profit or loss	–	4,641	(81,090)	(1,256)	(77,705)
At 31 December 2011	–	21,407	(81,090)	22,209	(37,474)
Credit (charge) to profit or loss	271	4,641	7,327	8,967	21,206
At 31 December 2012	271	26,048	(73,763)	31,176	(16,268)

16. DEFERRED TAX ASSETS/LIABILITIES (Continued)

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

	2012 RMB'000	2011 RMB'000
Deferred tax assets	**57,495**	43,616
Deferred tax liabilities	**(73,763)**	(81,090)
	(16,268)	(37,474)

At 31 December 2012, the Group had unused tax losses of approximately RMB159,324,000 (2011: RMB39,028,000) available to offset against future profits of respective subsidiaries. Included in unrecognised tax losses are losses of RMB121,960,000 (2011:RMB5,158,000) that may be carried forward indefinitely.

The other tax losses unrecognised for deferred tax assets that will expire in

	2012 RMB'000	2011 RMB'000
2017	**3,494**	–

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

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

The aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries for which deferred tax liabilities have not been recognised amounted to approximately RMB13,678,329,000 (2011: RMB9,477,274,000), because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

17. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**1,428,187**	787,886
Work in process	**1,592,553**	1,108,729
Finished goods	**89,987**	12,031
	3,110,727	1,908,646

18. TRADE RECEIVABLES

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

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

	2012 **RMB'000**	2011 RMB'000
0-90 days	**43,672**	1,438

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

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

Impairment for trade receivables over 90 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience and objective evidences of impairment and expected recoverable amounts. No impairment has been recognised for the year ended 31 December 2012 (2011: Nil).

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

The Group has pledged the trade receivables as disclosed in Note 33.

19. BILLS RECEIVABLE

	2012 **RMB'000**	2011 RMB'000
Bills receivable	**1,319,684**	1,312,960

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

	2012 **RMB'000**	2011 RMB'000
0-90 days	**485,299**	700,690
91-180 days	**834,385**	612,270
	1,319,684	1,312,960

TRANSFER OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31 December 2012 that were transferred to suppliers by endorsing those bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the bills receivable and the corresponding trade payables and other payables in the consolidated statement of financial position. These financial assets and financial liabilities are carried at amortised cost in the consolidated statement of financial position.

As at 31 December 2012

	Bills receivable endorsed to supplier with full recourse RMB'000
Carrying amount of transferred assets	**1,255,215**
Carrying amount of associated liabilities	**(1,255,215)**
Net position	**–**

As at 31 December 2011

	Bills receivable endorsed to supplier with full recourse RMB'000
Carrying amount of transferred assets	1,286,260
Carrying amount of associated liabilities	(1,286,260)
Net position	–

20. PREPAYMENTS AND OTHER RECEIVABLES

An analysis of prepayments and other receivables is as follows:

	2012 RMB'000	2011 RMB'000
Prepayments to suppliers	**121,563**	99,212
Value added tax receivables	**188,035**	20,645
Other receivables	**4,944**	1,945
	314,542	121,802

21. RESTRICTED BANK DEPOSITS AND BANK BALANCES

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

The restricted bank deposits carry market interest rate of 0.35% to 3.5% per annum as at 31 December 2012 (2011: 0.36% to 0.5%).

Bank balances and cash at 31 December 2012 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.

22. TRADE PAYABLES

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

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

	2012 RMB'000	2011 RMB'000
0-180 days	**1,091,334**	1,202,549
181-365 days	**5,389**	12,597
1-2 years	**822**	798
Over 2 years	**199**	315
	1,097,744	1,216,259

23. BILLS PAYABLE

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

	2012 RMB'000	2011 RMB'000
0-90 days	**200,000**	–

24. OTHER PAYABLES

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

	2012 RMB'000	2011 RMB'000
Payables on property, plant and equipment	**2,400,173**	1,511,252
Retention payables	**897,081**	650,346
Accrued liability related to litigations (Note)	**–**	102,260
Other payables and accruals	**46,200**	26,157
Advance from customers	**486,842**	225,881
Accrued payroll and welfare	**15,638**	14,123
Other tax payables	**25,307**	114,564
	3,871,241	2,644,583

Note: The Group and Wuhan Boiler Company Limited ("Wuhan Boiler", a boiler supplier of the Group) respectively initiated legal proceedings at Shandong Higher People's Court in the prior years. As of 31 December 2011, the Group has accrued in full the remaining sum in relation to the litigations brought by Wuhan Boiler. On 27 March 2012, the Group and Wuhan Boiler signed a settlement agreement relating to legal proceedings. As of 31 December 2012, the Group had fully paid the settlement according to the settlement agreement.

25. BANK BORROWINGS

Bank borrowings

	2012 **RMB'000**	2011 RMB'000
Secured bank borrowings	**2,914,424**	1,125,703
Unsecured bank borrowings	**11,188,468**	6,066,500
	14,102,892	7,192,203
The total borrowings are repayable as follows (Note):		
Within one year	**6,659,235**	3,210,610
In the second year	**2,495,347**	3,369,093
In the third year	**3,748,310**	75,000
In the fourth year	**300,000**	237,500
In the fifth year	**900,000**	300,000
	14,102,892	7,192,203
Less: Amount due for settlement within one year and shown under current liabilities	**6,659,235**	3,210,610
Amount due after one year	**7,443,657**	3,981,593
Total borrowings		
–at fixed rates	**5,714,365**	3,100,000
–at floating rates	**8,388,527**	4,092,203
	14,102,892	7,192,203
Analysis of borrowings by currency:		
– denominated in RMB	**7,629,500**	6,058,041
– denominated in United States Dollar ("US$")	**6,153,571**	1,134,162
– denominated in Hong Kong Dollar ("HK$")	**319,821**	–
	14,102,892	7,192,203

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements. At the end of 31 December 2012 and 2011, no bank borrowings have contained a repayment on demand clause.

25. BANK BORROWINGS (Continued)

Bank borrowings (Continued)

On 28 November 2011 and 22 February 2012, the Group signed the US$80 million and US$120 million (equivalent to approximately RMB1,275,346,000) syndicated loan agreements respectively with 2 years tenor and repayment in 18 installments, interest rate are set at London Interbank Offered Rate ("LIBOR") plus 3.3%. During the current year, the Group early repaid the syndicated loans and the corresponding arrangement fee amounted to approximately RMB63,705,000 was charged to profit or loss immediately (Note 7).

On 25 September 2012, the Group signed the US$460,000,000 (equivalent to RMB2,917,090,000) and HK$320,000,000 (equivalent to RMB261,625,600) syndicated loan agreement with 3 years tenor and repayment in 33 installments, interest rate is set at LIBOR plus 3.3% and Hong Kong Interbank Offered Rate ("HIBOR") plus 3.3% respectively all of which was drawn down as at 31 December 2012.

Fixed interest rate borrowings are charged at the prevailing market rates ranging from 2.0% to 8.11% (2011: 5.58% to 8.11%) per annum as at 31 December 2012.

Interest on borrowings denominated in RMB at floating rates are calculated based on the borrowing rates announced by the People's Bank of China, and interest on borrowings denominated in US$ & HK$ at floating rates are calculated based on LIBOR and HIBOR respectively.

The effective weighted average interest rate for the year ended 31 December 2012 was 6.64% (2011: 6.58%) per annum.

26. MEDIUM-TERM DEBENTURES

	2012 RMB'000	2011 RMB'000
Medium-term debentures	**1,486,640**	–

Pursuant to the resolution of the shareholders meeting dated 9 March 2012, the Group's subsidiary, Shandong Hongqiao applied to National Association of Financial Market Institutional Investors ("NAFMII") for issuing medium-term debentures of RMB3,000,000,000 ("Debentures") to independent third party debenture holders. The first batch of Debentures amounted to RMB1,500,000,000 of three-year-term was issued on 5 December 2012 at the interest rate of 5.8% per annum. The effective interest rate for the year ended 31 December 2012 was 6.14% per annum after taking into account the effect of transaction costs.

27. HELD-FOR-TRADING FINANCIAL LIABILITIES

	2012 RMB'000	2011 RMB'000
Derivative financial instruments-interest rate swaps (Note)	**1,084**	–

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

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

28. CONVERTIBLE BONDS

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

The principal terms of the Convertible Bonds are as follows:

(a) Option conversion

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

As disclosed in Note 13, a final dividend of HK$32 cents per share for the year ended 31 December 2011 was approved in the annual general meeting in May 2012. Pursuant to the Convertible Bonds agreement, the Conversion Price per share was adjusted from HK$7.27 to HK$6.81 effective from 24 May 2012.

(b) Redemption

– Redemption at maturity

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

– Redemption at the option of the Company

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

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

– Redemption at the option of the Bondholders

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

28. CONVERTIBLE BONDS (Continued)

(b) Redemption (Continued)

The Convertible Bonds comprised of two components:

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

(ii) Compound derivative component comprise:

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

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

The compound derivative component was valued at fair value by the directors with reference to valuation carried out by an independent valuation firm, Grant Sherman Appraisal Limited. The fair value of compound derivative component is derived by removing the liability component from the fair value of Convertible Bonds which is calculated using Binomial Option Pricing Model. The major inputs used in the models as at 10 April 2012 and 31 December 2012 were as follows:

	10 April 2012	31 December 2012
Stock price	**HK$4.68**	**HK$4.07**
Exercise price	**HK$7.27**	**HK$6.81**
Risk-free rate	**0.543%**	**0.281%**
Expected life	**5 years**	**4.28 years**
Volatility	**48.88%**	**42.72%**

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

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

28. CONVERTIBLE BONDS (Continued)

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

	Liability component RMB'000	Compound derivative component RMB'000	Total RMB'000
Convertible bonds issued on 10 April 2012	**712,122**	**233,403**	**945,525**
Transaction costs	**(20,911)**	**–**	**(20,911)**
Interest charged during the period from 10 April 2012 to 31 December 2012 (Note 7)	**69,180**	**–**	**69,180**
Interest paid during the period from 10 April 2012 to 31 December 2012	**(30,980)**	**–**	**(30,980)**
Changes in fair value during the period from 10 April 2012 to 31 December 2012	**–**	**(2,253)**	**(2,253)**
As at 31 December 2012	**729,411**	**231,150**	**960,561**

No conversion or redemption of the Convertible Bonds has occurred up to 31 December 2012.

29. SHARE CAPITAL

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

	Notes	Number of shares	Shares capital US$
Authorised			
Ordinary shares of US$0.01 each			
At 1 January 2011		**5,000,000**	50,000
Increase on 16 January 2011	(a)	**9,995,000,000**	99,950,000
Ordinary shares of US$0.01 each At 31 December 2011 and 2012		**10,000,000,000**	100,000,000
Issued and fully paid			
Ordinary shares of US$0.01 each			
At 1 January 2011		**1,000,000**	10,000
Capitalisation of share premium on 24 March 2011	(a)	**4,999,000,000**	49,990,000
Issue of shares upon listing of the Company's shares on the Stock Exchange on 24 March 2011	(b)	**885,000,000**	8,850,000
Ordinary shares of US$0.01 each At 31 December 2011 and 2012		**5,885,000,000**	58,850,000

29. SHARE CAPITAL (Continued)

	2012 RMB'000	2011 RMB'000
Shown on the consolidated statement of financial position	**386,206**	386,206

Notes:

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

(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 Stock Exchange.

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

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 2012.

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

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

31. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 RMB'000	2011 RMB'000
Financial assets		
Loans and receivables	**11,415,331**	8,815,606
Financial liabilities		
Liabilities at amortised cost	**20,975,779**	10,712,600
Convertible bonds – derivative component	**231,150**	–
Held-for-trading financial liabilities	**1,084**	–
	21,208,013	10,712,600

(b) Market risk

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

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

Foreign currency risk management

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

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

	2012 RMB'000	2011 RMB'000
Assets		
US$		
Bank balances and cash	**455,674**	20,309
HK$		
Bank balances and cash	**15,328**	–
Liabilities		
US$		
Bank borrowings	**6,153,571**	1,134,162
Convertible bonds – liability component	**729,411**	–
Trade payables	**248,840**	–
Held-for-trading financial liabilities	**1,084**	–
	7,132,906	1,134,162
HK$		
Bank borrowings	**319,821**	–

31. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Foreign currency risk management (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% (2011: 5%) strengthening of RMB against the foreign currencies listed above. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

	2012 RMB'000	2011 RMB'000
(Decrease) increase in profit for the year		
if RMB weakens against		
US$	**(250,396)**	(41,769)
HK$	**(11,418)**	–
if RMB strengthens against		
US$	**250,396**	41,769
HK$	**11,418**	–

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

Interest rate risk management

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

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

Sensitivity analysis

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

31. FINANCIAL INSTRUMENTS (Continued)

(b) Market risk (Continued)

Interest rate risk management (Continued)

Sensitivity analysis (Continued)

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

	2012 **RMB'000**	2011 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**1,027**	6,898
As a result of decrease in interest rate	**(1,027)**	(6,898)

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

(c) Credit risk

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

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

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

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 RMB458,658,000 (2011: RMB598,000,000), and represented 35% (2011: 46%) of the total bills receivable as at 31 December 2012. In addition, the Group's top five major customers amounted to RMB1,099,536,000 (2011: RMB1,200,042,000) and represented 83% (2011: 91%) of the total bills receivable respectively as at 31 December 2012. The credit risk on bills receivable is limited because most of the Group's bills receivable are bank acceptances bills under various banks of good credit ratings.

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

31. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management

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

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

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

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

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 2012							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	6.11	1,693,318	1,872,332	534,359	2,103,822	6,203,831	5,714,365
Floating-rate bank borrowings	7.19	344,834	3,656,802	2,447,584	3,168,191	9,617,411	8,388,527
Medium-term debentures	5.80	43,500	43,500	87,000	1,581,041	1,755,041	1,486,640
Trade payables	–	1,097,744	–	–	–	1,097,744	1,097,744
Bills payable	–	200,000	–	–	–	200,000	200,000
Other payables	–	3,094,986	264,106	–	–	3,359,092	3,359,092
Convertible bonds	6.50	30,642	30,642	61,284	959,848	1,082,416	729,411
		6,505,024	5,867,382	3,130,227	7,812,902	23,315,535	20,975,779
Derivatives financial liabilities – net settlement							
Held-for-trading financial liabilities							
– Interest rate swaps		940	482	(28)	(286)	1,108	1,084
		940	482	(28)	(286)	1,108	1,084
At 31 December 2011							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	6.37	448,630	1,037,465	1,417,232	635,104	3,538,431	3,100,000
Floating-rate bank borrowings	7.05	1,461,288	676,818	2,217,966	120,420	4,476,492	4,092,203
Trade payables	–	1,216,259	–	–	–	1,216,259	1,216,259
Other payables	–	1,729,095	575,043	–	–	2,304,138	2,304,138
		4,855,272	2,289,326	3,635,198	755,524	11,535,320	10,712,600

31. FINANCIAL INSTRUMENTS (Continued)

(d) Liquidity risk management (Continued)

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

(e) Fair value

The fair value of the compound derivative component is derived by removing the liability component from the fair value of Convertible Bonds which is calculated using Binomial Option Pricing Model.

The fair value of interest rate swaps are determined with reference to prices quoted by financial institution.

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

As at 31 December 2012, the fair value of the liability component of the Convertible Bonds with carrying value of RMB729,411,000 amounted to RMB713,135,000. The directors of the company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

31. FINANCIAL INSTRUMENTS (Continued)

(e) Fair value-continued (Continued)

Fair value measurements recognised in the consolidation statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities – interest rate swaps	–	1,084	–	1,084
Convertible bonds – derivative component	–	–	231,150	231,150
Total	–	1,084	231,150	232,234

There were no transfers between Level 1 and 2 in the current year.

Reconciliation of Level 3 fair value measurements of financial liabilities

	Convertible bonds derivative component RMB'000
At 1 January, 2012	–
Issues	233,403
Changes in fair value during the period	(2,253)
At 31 December, 2012	231,150

32. ACQUISITION OF A SUBSIDIARY

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

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

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

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

Net cash outflow arising on acquisition:

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

33. PLEDGE OF ASSETS

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

	2012	2011
	RMB'000	RMB'000
Restricted bank deposits	**872,088**	14,468
Land use rights	**32,016**	32,713
	904,104	47,181

In addition, the Company pledged its shares in China Hongqiao Investment Limited ("Hongqiao Investment"), Hongqiao Investment (Hong Kong) Limited ("Hongqiao Hong Kong"), Hongqiao International Trading Limited ("Hongqiao Trading") and its trade receivables as collateral for a syndicated loan facility of US$460,000,000 (equivalent to RMB2,917,090,000) and HK$320,000,000 (equivalent to RMB261,625,600), all of which was drawn down as at 31 December 2012.

In addition, the Company pledged its shares in Hongqiao Investment and Hongqiao Hong Kong as collateral for a syndicated loan facility of US$80,000,000 (equivalent to RMB504,072,000) and a bank borrowing facility of US$100,000,000 (equivalent to RMB630,090,000), all of which were drawn down as at 31 December 2011. The guarantees were released upon early repayment of relevant syndicated loan as set out in Note 7.

34. OPERATING LEASES

The Group as lessee

	2012 RMB'000	2011 RMB'000
Minimum lease payments paid under operating leases for premises	**3,447**	3,565

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**3,669**	3,447
In the second to fifth year inclusive	**7,501**	1,436
	11,170	4,883

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

35. COMMITMENTS

	2012 RMB'000	2011 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:		
– contracted for but not provided	**4,572,760**	5,869,031
– authorised but not contracted for	**14,779,206**	8,541,440
	19,351,966	14,410,471

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

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

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 significant influence over Chuangye Group during the two years ended 31 December 2012.

(b) The Group has entered into the following significant transactions with its related party during the two years ended 31 December 2012:

	2012 RMB'000	2011 RMB'000
Purchases of carbon anode blocks – Aluminum Technology	**262,367**	333,744
Sales of slag of carbon anode blocks – Aluminum Technology	**24,875**	23,999

(c) Compensation of key management personnel

	2012 RMB'000	2011 RMB'000
Short term employee benefit	**5,775**	5,684
Retirement benefits scheme contributions	**33**	28
	5,808	5,712

37. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

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

38. PARTICULARS OF SUBSIDIARIES

The particulars of subsidiaries of the Company as at 31 December 2011 and 2012 are set out as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid-up share capital/ registered capital	Equity interest attributable to the Company as at 31 December 2012 %	31 December 2011 %	Principal activity
Hongqiao Investment	BVI 5 February 2010	US$200	**100**	100	Investment holding
Well Harvest (note ii)	Jakarta, Indonesia 20 March 2012	IDR94,000,000,000	**60**	–	Manufacture and sales of alumina
Hongqiao Hong Kong	Hong Kong 18 February 2010	HK$10,100	**100**	100	Investment holding
Hongqiao Trading (note iii)	Hong Kong 11 April 2012	HK$10,000,000	**100**	–	Trading of bauxite
Shandong Hongqiao (note i)	PRC 27 July 1994	US$1,053,120,000	**100**	100	Manufacture and sales of aluminum products
山東魏橋鋁電有限公司 (Shandong Weiqiao Aluminum Power Co., Ltd.) (note i)	PRC 25 December 2002	RMB10,000,000,000	**100**	100	Manufacture and sales of aluminum products
濱州市政通新型鋁材有限公司 (Zhengtong) (notes i)	PRC 20 May 2008	RMB3,200,000,000	**100**	100	Manufacture and sales of aluminum products
惠民匯宏新材料有限公司 (Huimin Huihong New Aluminum Profiles Co., Ltd.) (notes i)	PRC 6 December 2011	RMB200,000,000	**100**	100	Manufacture and sales of aluminum products

Notes:

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

(ii) Newly acquired during the year ended 31 December 2012.

(iii) Newly established during the year ended 31 December 2012.

(iv) Other than the issuance of convertible bonds by the Company, three-year-term medium-term debentures by Shandong Hongqiao as disclosed in Note 26, none of other subsidiaries had issued any debt securities during the year ended 31 December 2012.

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

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

	2012 **RMB'000**	2011 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**479**	532
Investment in subsidiaries	**5,744,446**	5,187,781
Amount due from subsidiaries	**5,295,604**	3,451,637
	11,040,529	8,639,950
CURRENT ASSETS		
Amount due from a subsidiary	**35,432**	823,054
Bank balances and cash	**383,132**	25,092
	418,564	848,146
CURRENT LIABILITIES		
Bank borrowings – due within one year	**–**	835,611
Other payables	**4,597**	2,514
	4,597	838,125
NET CURRENT ASSETS	**413,967**	10,021
TOTAL ASSETS LESS CURRENT LIABILITIES	**11,454,496**	8,649,971
CAPITAL AND RESERVES		
Share capital (Note 29)	**386,206**	386,206
Reserves	**8,663,316**	7,990,672
TOTAL EQUITY	**9,049,522**	8,376,878
NON-CURRENT LIABILITIES		
Amount due to a subsidiary	**1,444,413**	–
Bank borrowings – due after one year	**–**	273,093
Convertible bonds – Liability component	**729,411**	–
Convertible bonds – Derivative component	**231,150**	–
	11,454,496	8,649,971

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

Movement in reserve

	Share capital RMB'000	Share premium RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2011	386,206	8,026,800	(3,906)	8,409,100
Profit and total comprehensive income for the year	–	–	(32,222)	(32,222)
At 31 December 2011	386,206	8,026,800	(36,128)	8,376,878
At 1 January 2012	386,206	8,026,800	(36,128)	8,376,878
Profit and total comprehensive income for the year	–	–	2,209,015	2,209,015
Dividend recognised as distribution	–	–	(1,536,371)	(1,536,371)
At 31 December 2012	386,206	8,026,800	636,516	9,049,522

40. EVENTS AFTER THE REPORTING PERIOD

On 25 January 2013, the second batch of Debentures amounted to RMB1,500,000,000 of five-year-term was issued. The details of Debentures are set out in Note 26.