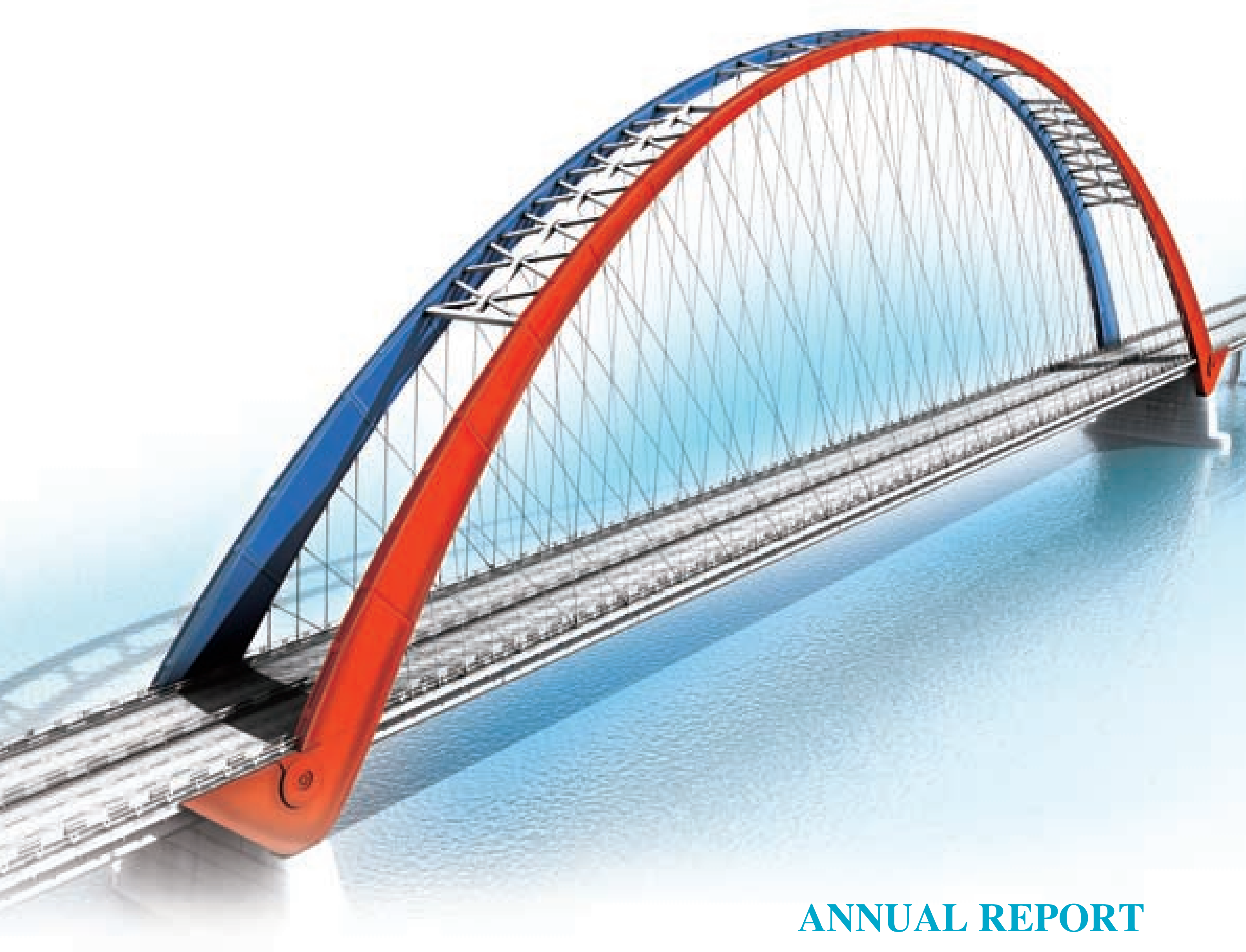
China Hongqiao Group Limited

中國宏橋集團有限公司

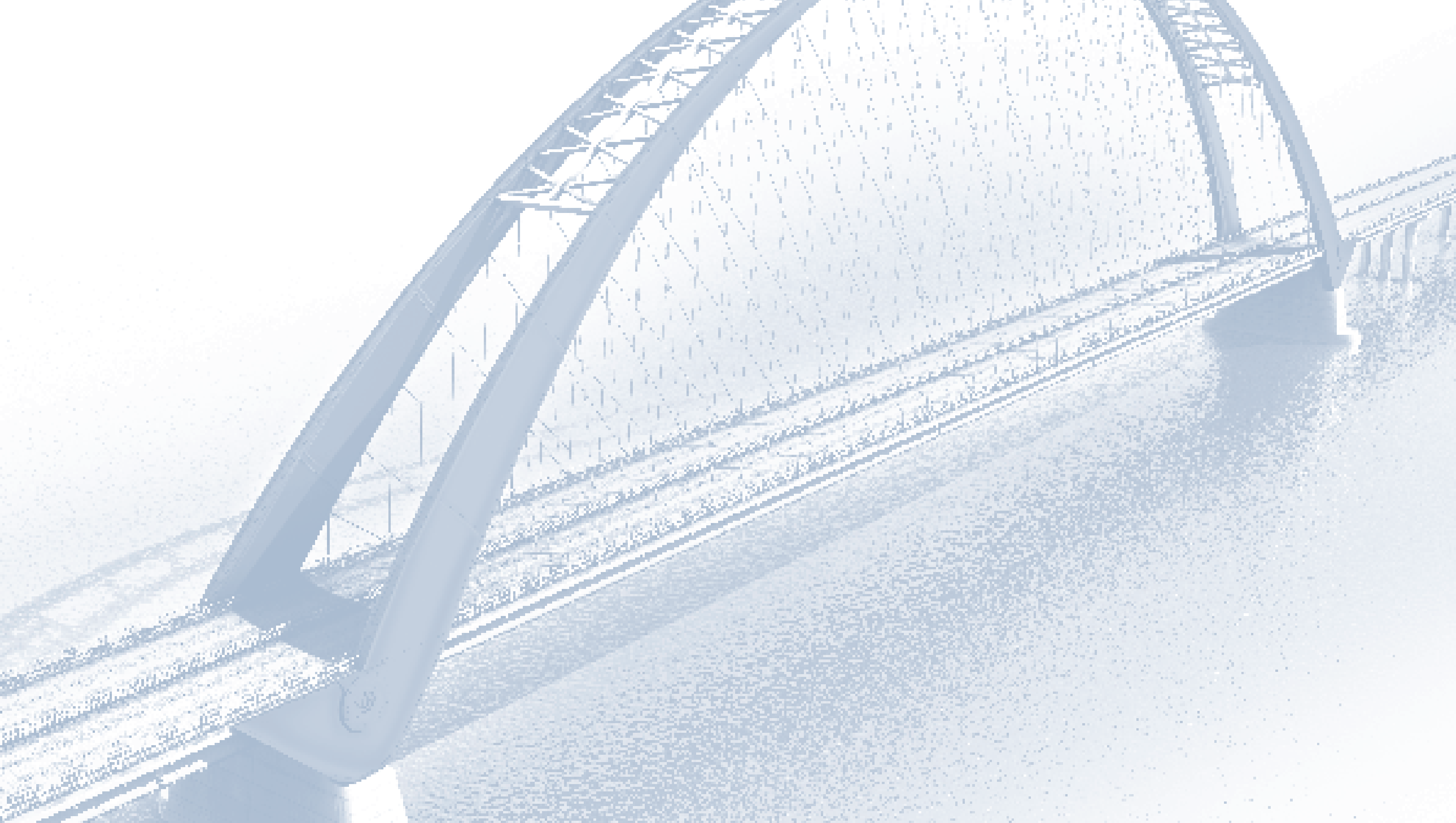
(Incorporated under the laws of the Cayman Islands with limited liability)

Stock Code : 1378



ANNUAL REPORT 2017

Contents



Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December (RMB'000)				
	2013	2014	2015	2016	**2017**
Revenue	29,404,462	36,085,800	44,109,934	61,395,578	**93,312,652**
Gross profit	8,142,802	9,296,468	9,028,404	14,196,333	**14,883,711**
Gross profit margin (%)	27.7	25.8	20.5	23.1	**16.0**
Profit before tax	7,379,395	7,327,733	5,335,953	9,764,337	**7,092,002**
Net profit attributable to owners of the Company	5,592,675	5,313,632	3,706,512	6,849,829	**5,118,566**
Net profit margin (%)	19.0	14.7	8.3	11.1	**5.7**
Basic earnings per share (RMB)	0.95	0.89	0.59	0.96	**0.6970**

Assets and liabilities

	As at 31 December (RMB'000)				
	2013	2014	2015	2016	**2017**
Total assets	65,178,536	83,427,737	106,517,979	142,521,467	**158,118,398**
Equity	26,882,545	32,434,014	36,294,658	45,688,302	**53,216,866**
Total liabilities	38,295,991	50,993,723	70,223,321	96,833,165	**104,901,532**
Return on equity*note* (%)	22.7	17.9	10.7	16.6	**10.7**
Current ratio (%)	102	89	78	98	**118**
Accounts receivable turnover (days)	1	3	6	4	**5**
Inventory turnover (days)	114	145	122	114	**76**
Accounts payable turnover (days)	27	30	43	51	**50**

Note: Calculated based on average equity.

EXECUTIVE DIRECTORS

Zhang Shiping *(Chairman)*
Zheng Shuliang *(Vice Chairman)*
Zhang Bo *(Chief Executive Officer)*
Zhang Ruilian *(Vice President, Chief Financial Officer)*

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen
Dong Xinyi

CHIEF FINANCIAL OFFICER

Zhang Ruilian

COMPANY SECRETARY

Zhang Yuexia

AUDIT COMMITTEE

Han Benwen *(Committee Chairman)*
Chen Yinghai
Xing Jian
Dong Xinyi

NOMINATION COMMITTEE

Xing Jian *(Committee Chairman)*
Zhang Shiping
Han Benwen
Dong Xinyi

REMUNERATION COMMITTEE

Han Benwen *(Committee Chairman)*
Zhang Shiping
Xing Jian
Dong Xinyi

AUTHORISED REPRESENTATIVES

Zhang Bo
Zhang Yuexia

PLACE OF BUSINESS IN HONG KONG

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HEAD OFFICE IN THE PRC

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Zouping County
Shandong Province
the PRC

CAYMAN ISLANDS REGISTERED OFFICE

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Grand Cayman, KY1-1205
Cayman Islands

INTERNATIONAL AUDITORS

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HONG KONG SHARE REGISTRAR

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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STOCK CODE

1378

LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited

LISTING DATE

24 March 2011

NUMBER OF ISSUED SHARES AS AT 31 DECEMBER 2017

8,057,888,193

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
23 March 2018

DATES OF ANNUAL GENERAL MEETING AND ADJOURNED MEETING

16 May 2018

EXPECTED DATE OF FINAL DIVIDEND PAYMENT

29 June 2018

Chairman's Statement

CHAIRMAN'S STATEMENT

It is my pleasure to present on behalf of the board of directors (the "Board") of China Hongqiao Group Limited (the "Company" or "China Hongqiao") the audited consolidated annual results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2017 (the "Year" or the "Year under Review").

GRASPING THE OPPORTUNITY AND EXPLORING GLOBAL MARKET

During the Year under Review, with more favorable factors, the global economy experienced recovery with significant adjustment and fluctuation. The stability of China's domestic macroeconomic was improved. Gross Domestic Product ("GDP") of China increased by 6.9% over the same period of the previous year, which continued the steady and favorable development trend. The world's major economies maintained growth but are facing lots of risks and uncertainties, and the situation is still complicated. The increasing costs, constraints of resources and environment, intensified industrial restructuring, tightened relevant control policies and other profound impacts led to a rigorous environment both internally and externally for industrial upgrading, coordinated development and sustainability. The Group experienced tremendous challenges under such austere situation.

During the Year, in respect of production and operation, the Group has stayed true to the original aspiration to achieve steady development and continued to accelerate the industrial cluster development through the industrial model of "Integration of Aluminum and Electricity", "Integration of Upstream and Downstream Businesses" and "Global Integration", enhance the cost advantages and the economies of scale, and maintain its leading position in the global aluminum industry. For overseas businesses, the Group aligned its strategies with the "One Belt One Road" initiative of the PRC government to speed up the development in the bauxite project in Guinea, Africa, which enhanced the Group's ability to allocate resources and global operations, and created an overseas strategy model that was in line with the Group's development characteristics. Furthermore, the Group continued its strategy of "multi-channels" and expanded bauxite supply in Australia, India, Malaysia and other regions. The Group's alumina project in Indonesia ran well and has been named the "Best Example of International Production Capacity Cooperation of Chinese Enterprises" by China Non-ferrous Metals Industry Association ("CNMIA"). The Group continuously enhanced its capability in managing upstream raw materials, which enable the Group to control the costs of raw material effectively.

RESULTS PERFORMANCE

During the Year, the Group's revenue amounted to approximately RMB93,312,652,000, representing a year-on-year increase of approximately 52.0%; gross profit amounted to approximately RMB14,883,711,000, representing a year-on-year increase of approximately 4.8%; net profit attributable to shareholders of the Company decreased by approximately 25.3% to approximately RMB5,118,566,000, on one hand, mainly due to the production capacity shutdown resulting from the Group's response to the relevant policies and plans for the supply side reform of the aluminum industry in the PRC, and goodwill impairment arising from acquisition of Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang"), a subsidiary and a joint stock company incorporated in the PRC with limited liability whose shares are listed on Shenzhen Stock Exchange (stock code: 002379) within the Year, and provision for impairment of property, plant and equipment and goodwill amounted to approximately RMB4,828,763,000 and RMB668,694,000 respectively were made during the Year; and on the other hand, the unit costs of aluminum products increased, caused by some of higher raw material prices, resulting in narrowing profit margins. Basic earnings per share amounted to approximately RMB0.6970 (the same period in 2016: approximately RMB0.96). The Board recommended the payment of a final dividend of HK20.0 cents per share for 2017 (2016: HK27.0 cents per share).

REVIEWING MARKET SITUATION AND STRIVING FOR GROWTH

During the Year under Review, while the global economy recovered in a tortuous manner, there were still numerous challenges ahead with the mounting geopolitical tensions, which cast a substantial uncertainty on world economic. In face of various institutional adjustments to the deepening of domestic supply side reforms in 2017, the Group adhered to innovations in production technology and actively formulated more prudent and comprehensive corporate governance policies and optimized capital policies and financial structure, and gave full play to the Group's advantages in business model and cost control; at the same time, paid more attention to high-quality development operations to ensure that the Group can continue stable growth.

During the Year under Review, the Group optimized its capital and financial structure. The Group deepened the strategic corporation with the member enterprises of CITIC Group and entered into a "Headquarter to Headquarter" strategic cooperation agreement with China CITIC Bank Corporation Limited ("CITIC Bank") at the end of June 2017 in Beijing. Pursuant to this agreement, CITIC Bank will provide a general credit limit of RMB20 billion to the Group in the next two years, as well as integrating various financial resources of CITIC Group to customise financial products for the Group and providing comprehensive financial services. Furthermore, the Group entered into a share placing agreement and a convertible bonds placing agreement with CTI Capital Management Limited and CNCB (Hong Kong) Investment Limited, respectively. The deepened cooperation with CITIC Group will benefits the long-term development of the Group's operation, indicating the trust and confidence of CITIC Group, one of the China's largest conglomerates.

In 2017, the global and China consumption volume for primary aluminum increased by approximately 5.7% and 8.1% respectively over the previous year. Considering China's current economic momentum, with the progressing urbanisation in China, escalating city construction and rural consumption integration, the use of aluminum in construction, rail transportation and automobiles will continue to be the key driving forces of the future demand. In addition, it has become even more popular in livelihood applications such as all aluminum furniture and electronic devices, which will also inject new vitality to the Group.

LOOKING FORWARD WITH HIGH VISION

Looking forward, the Group will actively support the implementation of the national supply-side reform; further improve the current industrial model of "Integration of Aluminum and Electricity" and "Integration of Upstream and Downstream Businesses" to guarantee the supply of bauxite and alumina, explore the downstream application of aluminum and strategically expand marketing channels and establish an environment friendly entire industrial chain of aluminum products. In terms of production technology, more investment will be put in research and development, realizing energy-saving and improving the training of employee, maintain the Group's core competitive edge. For the capital market, the Group will continue to improve the effective communications with investors, make a long-term dividend scheme and continue to optimize the debt structure and reduce the cost of financing act, to strengthen the internal and external risk pervention.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my sincere gratitude to the Group's management team and all employees for their unrelenting efforts and dedication made in 2017, as well as to all the shareholders, investors and business partners for the support and trust.

Zhang Shiping
Chairman of the Board

23 March 2018

INDUSTRY REVIEW

During the Year under Review, the commodity market experienced recovery and amongst all, the performance of aluminum was particularly prominent. With favourable macro news of international aluminum price, and strong demand of aluminum products, the aluminum price steadily went upwards. During the Year under Review, the average prices of spot aluminum and three month aluminum futures at London Metal Exchange (LME) were approximately US$1,968 per ton and approximately US$1,979 per ton, respectively, representing an increase of approximately 22.7% and 23.3%, respectively, as compared with the same period last year (source: Beijing Antaike Information Development Co., Ltd. (北京安泰科信息開發有限公司), "Antaike").

During the Year, the price of domestic aluminum futures demonstrated an increasing momentum in general. The price of aluminum was bolstered by a significant alleviation of supply and demand pressure in the domestic aluminum market at the beginning of 2017 and the low inventory level as compared with the corresponding period in past years, and the rising raw material prices during the Year supported aluminum prices. Meanwhile, as the PRC government developed the work program on environment protection and industrial governance as well as special program on regulating aluminum industry construction projects, the market expectation on aluminum market was positive which also served as a drive to the aluminum price. In general, the average prices of spot aluminum and three-month aluminum futures at Shanghai Futures Exchange amounted to approximately RMB14,495 per ton and approximately RMB14,664 per ton (including VAT for both), representing increases of approximately 18.2% and approximately 21.2%, respectively, as compared with the same period last year (source: Antaike).

During the Year under Review, supply and demand growth of aluminum market in the PRC was higher than global level. According to Antaike, in 2017, the global production volume of primary aluminum amounted to approximately 63,870,000 tons, representing an increase of approximately 7.1% as compared with the corresponding period of last year. As for demand, the global consumption of primary aluminum reached approximately 64,460,000 tons in 2017, representing an increase of approximately 5.7% as compared with the corresponding period of last year. Compared with the global market, the aluminum market in China has been booming in both demand and supply aspects with strong growth momentum. In 2017, the domestic production volume of primary aluminum amounted to approximately 36,670,000 tons, representing an increase of approximately 12.3% as compared with the corresponding period of last year; while China's consumption volume of primary aluminum amounted to approximately 35,460,000 tons, representing an increase of approximately 8.1% as compared with the corresponding period of last year (source: Antaike).

BUSINESS REVIEW

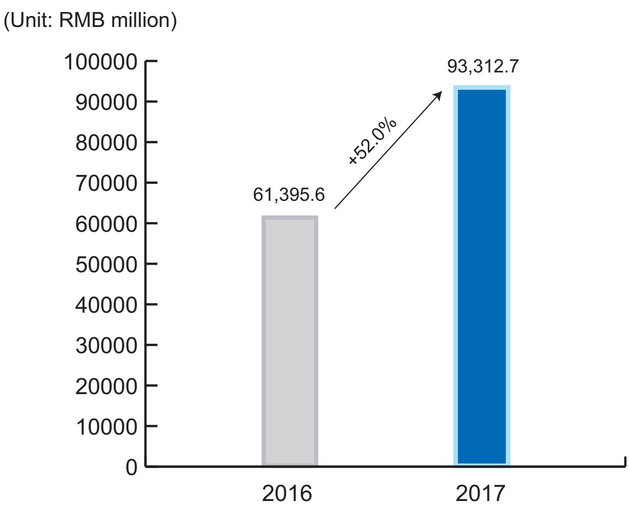
During the Year, the Group adhered to its strategies to strengthen its unique industry cluster model, enhancing the cost advantage and core competitiveness to reinforce the Group's industrial leading position.

As of 31 December 2017, the Group's annual operating production capacity of aluminum products reached 6,460,000 tons.

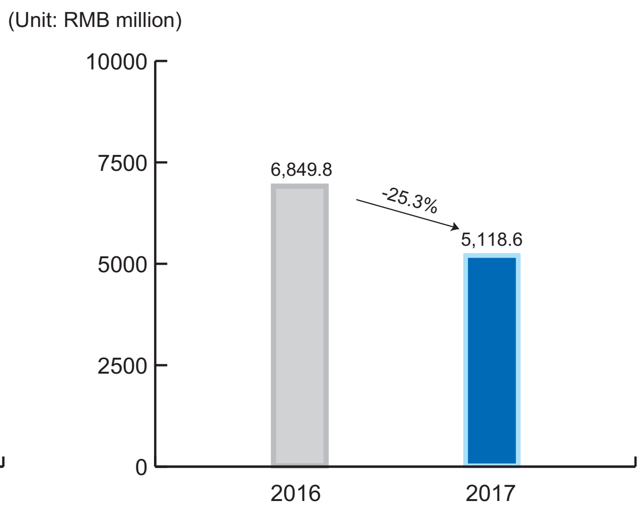
Driven by the increase in demand of downstream market, the Group's aggregate production volume of aluminum products in 2017 amounted to approximately 7,544,000 tons, representing a year-on-year increase of approximately 24.9%; the production volume of aluminum fabrication products reached approximately 412,000 tons, representing a year-on-year increase of approximately 38.0%.

The Group's revenue and net profit attributable to shareholders of the Company for the year ended 31 December 2017, with comparison figures for the year ended 31 December 2016, are as follows:

Revenue



Net profit attributable to shareholders of the Company



For the year ended 31 December 2017, the Group recorded revenue of approximately RMB93,312,652,000, representing a year-on-year increase of approximately 52.0%, which was mainly due to the increase in the Group's production volume and sales volume of aluminum products during the Year and the increase in selling price of aluminum products during the Year. During the Year, sales volume of the Group's aluminum products and aluminum fabrication products reached approximately 7,531,453 tons in total, representing an increase of approximately 32.4% as compared to approximately 5,687,526 tons of last year. Affected by the price hike in China's aluminum market, the Group's average selling price of aluminum products increased by approximately 14.6% from approximately RMB10,787 per ton (excluding VAT) in 2016 to approximately RMB12,367 per ton (excluding VAT) in the Year.

For the year ended 31 December 2017, net profit attributable to shareholders of the Company amounted to approximately RMB5,118,566,000, representing a year-on-year decrease of approximately 25.3%, mainly due to the fact that, on one side, the price increases of raw materials such as coal and carbon anode blocks during the Year jacked up the unit production cost of aluminum products, which resulted in a decrease in the gross profit margin, and on the other side, the Group shut down part of the production capacity in order to respond to the relevant policies and plans for the national supply-side reform of aluminum industry implemented by the government and had goodwill impairment arising from acquisition of Hongchuang, a subsidiary, making provision for impairment of assets of approximately RMB5,497,457,000, which resulted in the decrease in the net profit. The management of the Company will continue to seek various measures proactively, including assets disposal and communication with the relevant governmental authorities on the industrial policies and plans, so as to make its best effort to mitigate the adverse effect brought by such shut down.

The table below is a comparison of the breakdown of revenue by product for the years ended 31 December 2017 and 2016.

Revenue breakdown by product

	For the year ended 31 December			
	2017		2016	
Products	**Revenue RMB'000**	**Percentage of total revenue %**	Revenue RMB'000	Percentage of total revenue %
Molten aluminum alloy	**76,001,047**	**81.4**	53,848,144	87.7
Aluminum alloy ingots	**11,720,058**	**12.6**	5,089,082	8.3
Aluminum fabrication	**5,416,862**	**5.8**	2,412,793	3.9
Steam	**174,685**	**0.2**	45,559	0.1
Total	**93,312,652**	**100.0**	61,395,578	100.0

As for revenue from aluminum products, the Group's revenue derived from aluminum products was approximately RMB93,137,967,000, accounting for approximately 99.8% of the total revenue for the year ended 31 December 2017. Among which, the revenue derived from molten aluminum alloy accounted for approximately 81.4% of total revenue, representing a decrease in proportion as compared with the corresponding period of last year, which was mainly due to the fact that the Group actively expanded its domestic aluminum alloy ingots and the aluminum fabrication market during the year while satisfying the demand for molten aluminum within the aluminum industrial cluster where the Group's production base is located, resulting in a decrease in the proportion of molten aluminum. Revenue derived from sale of steam was approximately RMB174,685,000, accounting for approximately 0.2% of the Group's total revenue, with not much change in proportion as compared with last year.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin from its major products for the years ended 31 December 2017 and 2016:

	For the year ended 31 December					
	2017			2016		
Products	**Revenue RMB'000**	**Gross Profit RMB'000**	**Gross Profit Margin %**	Revenue RMB'000	Gross Profit RMB'000	Gross Profit Margin %
Aluminum products	**93,137,967**	**14,863,781**	**16.0**	61,350,019	14,183,417	23.1
Steam	**174,685**	**19,930**	**11.4**	45,559	12,916	28.4
Total	**93,312,652**	**14,883,711**	**16.0**	61,395,578	14,196,333	23.1

For the year ended 31 December 2017, the overall gross profit margin of the Group was approximately 16.0%, representing a decrease of approximately 7.1 percentage points as compared to approximately 23.1% for the corresponding period of last year, mainly due to the increase in the selling price of aluminum products was far less than the increase in the unit sales cost of the aluminum products during the Year. The Group will continue to strengthen the cost control and upgrade the production technology to enhance its products competitiveness among the industry.

Distribution and selling expenses

For the year ended 31 December 2017, the Group's distribution and selling expenses amounted to approximately RMB269,603,000, increased approximately by 64.1% as compared to approximately RMB164,269,000 for the corresponding period of last year, which was mainly due to the increase in corresponding transportation fees resulted from the increase in sales volume of the aluminum products of the Group.

Administrative expenses

For the year ended 31 December 2017, administrative expenses of the Group amounted to approximately RMB2,062,327,000, basically the same as compared to approximately RMB2,080,550,000 of last year.

Finance costs

For the year ended 31 December 2017, finance costs of the Group were approximately RMB4,080,113,000, representing an increase of approximately 21.9% when compared to approximately RMB3,345,896,000 for the corresponding period of last year. This was mainly due to the fact that although the balance of interest-bearing debt of the Group as at 31 December 2017 decreased by 6.3% as compared to the corresponding period of the last year, the weighted total amount of interest-bearing debt during the Year still increased as compared to the corresponding period of the last year, resulting in a corresponding increase in the interest paid by the Group.

Liquidity and capital resources

As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB21,925,568,000, representing an increase of approximately 70.7% compared to approximately RMB12,842,380,000 as at 31 December 2016. The increase in cash and cash equivalents mainly due to the continue increase in income from sale of the Group's products, resulting in a corresponding increase in net cash inflows from operating activities.

For the year ended 31 December 2017, the Group had net cash outflow from investing activities of approximately RMB19,587,836,000, net cash outflow from financing activities of approximately RMB3,934,760,000, and net cash inflow from operating activities of approximately RMB32,620,213,000.

For the year ended 31 December 2017, the capital expenditure of the Group amounted to approximately RMB8,768,464,000, mainly applied in the payment of construction of ancillary captive power facilities.

As at 31 December 2017, the Group had a capital commitment of approximately RMB1,014,242,000, which is capital expenditure for acquisition of properties, plant and equipment in the future primarily used for the transformation and upgrading of environmental protection projects and the construction of the alumina production base in Indonesia.

For the year ended 31 December 2017, the Group's average turnover days of trade receivables were approximately 5 days, representing an increase of approximately 1 day as compared to approximately 4 days for the corresponding period of last year. This was mainly due to the fact that, in order to strengthen the business relations with premium clients of aluminum products, the Group had granted provisional credit periods to some premium clients for its aluminum products during the Year. At the same time, the Group's sales of aluminum alloy products increased, and the Group grants customers a certain credit period in respect of sales of aluminum alloy products, resulting in the increase of the average turnover days of trade receivables.

For the year ended 31 December 2017, the Group's turnover days of inventory was approximately 76 days, representing a decrease of approximately 38 days as compared to approximately 114 days for the corresponding period of last year, mainly because the Group strengthened its inventory management of each item and maintained its inventory at a reasonable and low level whilst the Group achieved a high increase in the production and sales volume of the Group's aluminum products during the Year.

Contingent liability

As at 31 December 2017, the Group has no significant contingent liability.

Income tax

The Group's income tax for 2017 amounted to approximately RMB1,785,170,000, decreased by approximately 39.5% as compared to approximately RMB2,948,667,000 for the corresponding period of last year, which was mainly attributable to the decrease in profit before tax of the Group.

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

Net profit attributable to shareholders of the Company was approximately RMB5,118,566,000 for the year ended 31 December 2017, representing a decrease of approximately 25.3% as compared to approximately RMB6,849,829,000 for the corresponding period of last year.

Basic earnings per share of the Company in 2017 were approximately RMB0.6970 (2016: approximately RMB0.96).

Capital structure

The Group had established an appropriate liquidity risk management framework to secure the short-term, medium-term and long-term funding and to satisfy its liquidity risk management requirements. As at 31 December 2017, cash and cash equivalents of the Group amounted to approximately RMB21,925,568,000 (31 December 2016: approximately RMB12,842,380,000), which were mainly deposited in commercial banks.

As at 31 December 2017, the total liabilities of the Group amounted to approximately RMB104,901,532,000 (31 December 2016: approximately RMB96,833,165,000). Gearing ratio (total liabilities to total assets) was approximately 66.3% (31 December 2016: approximately 67.9%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipments and prepaid lease payments as collateral for bank borrowings to provide funding for its daily business operation and project construction. As at 31 December 2017, the Group had secured bank borrowings of approximately RMB8,916,083,000 (31 December 2016: nil).

As at 31 December 2017, the total bank borrowings of the Group amounted to approximately RMB20,038,266,000. The Group maintained a balanced portfolio of borrowings at fixed interest rates and variable interest rates to manage its interest expenses. As at 31 December 2017, approximately 21.2% of the Group's bank borrowings were subject to fixed interest rates while the remaining of approximately 78.8% were subject to floating interest rates.

As at 31 December 2017, besides bank borrowings, the Group consisted of RMB3,000,000,000 of short-term notes, approximately RMB43,468,056,000 of medium-term notes and bonds, approximately RMB1,957,399,000 of guaranteed notes and RMB2,086,885,000 of convertible bonds with interest rates ranging from 3.84% to 8.69% per annum. The issuances of these notes and bonds helps to optimize the Group's debt structure and reduce the finance costs.

The Group aims to maintain a balance between the continuity and flexibility of funding by deploying various debt mixes. As at 31 December 2017, approximately 47.6% of the Group's liabilities will due within one year.

As at 31 December 2017, the net current assets of the Group were approximately RMB10,077,830,000. The Group will continue to develop other financing channels by increasing part of the medium-term and long-term borrowings and adjusting the structure of debts. In addition, the Group will properly control the capital expenditure, to sustain its existing production capacity, control its production costs, improve the profitability and its cash flow position, so as to maintain the adequate liquidity of the Group's capital.

As at 31 December 2017, the Group's debts were denominated in RMB and US Dollars, among which, RMB debts and US Dollar debts accounted for approximately 85.3% and approximately 14.7% of the total debts, respectively. Cash and cash equivalents were mainly held in RMB and US Dollars, among which, approximately 98.8% was held in RMB and approximately 1.0% was held in US Dollars.

Employee and remuneration policy

As at 31 December 2017, the Group had 50,500 employees in total, decreased by 10,037 employees as compared to the corresponding period of last year. The decrease was attributable to the Group's implementation of lowliest place elimination series for optimizing human resources and motivating employees. During the Year, the total staff costs amounted to approximately RMB3,712,645,000, accounting for approximately 4.0% of the Group's revenue. The remuneration packages of the Group's employees include salaries and various types of allowances.

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

Foreign exchange risk

The Group collected most of its revenue in RMB and funded most of its capital expenditures in RMB. Due to the importation of bauxite, production equipment, and as certain bank balances, borrowings and senior notes are denominated in foreign currencies, the Group is exposed to certain risks of foreign exchange. As at 31 December 2017, the Group's bank balances denominated in foreign currencies were approximately RMB256,640,000, and liabilities denominated in foreign currencies were approximately RMB10,360,550,000. For the year ended 31 December 2017, the Group recognised foreign exchange gain of approximately RMB529,161,000.

The Group utilised financial instruments, which is foreign currency forward contracts and interest rate swap contracts, to reduce the risk of fluctuation in foreign currencies and interest rate for the year ended 31 December 2017. As at 31 December 2017, the financial assets derived from the above contracts were approximately RMB57,000.

Shut down part of the aluminum production capacity

In order to respond to the relevant policies and plans for the national supply-side reform of aluminum industry implemented by the government, the Group has shut down aluminum projects with annual production capacity of 2,680,000 tons. As at the date of this annual report, the current total production capacity under the Group's operation of 6,460,000 tons was all filed properly in accordance with relevant regulations. For details, please refer to the announcement of the Company dated 15 August 2017.

EVENTS AFTER THE PERIOD

Placing Existing Shares, Subscription of New Shares

On 15 January 2018 (after trading hours), (i) China Hongqiao Holdings Limited ("Hongqiao Holdings") (中國宏橋控股有限公司), a controlling shareholder of the Company; (ii) the Company; and (iii) UBS AG Hong Kong Branch, CMB International Capital Limited and CLSA Limited ("Placing Agents") entered into the Placing and Subscription Agreement. Pursuant to the Placing and Subscription Agreement (as defined in the announcements below), the Placing Agents conditionally agreed to place, on a best efforts basis, up to 650,000,000 Shares held by Hongqiao Holdings to independent placees at the price of HK$9.6 per Placing Share, and Hongqiao Holdings conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue to Hongqiao Holdings, up to 650,000,000 new Shares at the Subscription Price, being the same as the Placing Price, on the terms and subject to the conditions set out in the Placing and Subscription Agreement. All the conditions as set out in Placing and Subscriptions Agreement have been fulfilled and the Placing and the Subscription were completed on 18 January 2018 and 23 January 2018, respectively. The net proceeds of the Subscription amounted to approximately HK$6,200,000,000 and were fully used by the Company according to the purposes disclosed in the Company's announcement dated 16 January 2018. For details, please refer to the announcements of the Company dated 16 January 2018 and 23 January 2018.

MAJOR RISKS AND UNCERTAINTIES

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

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

ENVIRONMENTAL PROTECTION POLICY

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

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

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

IN COMPLIANCE WITH LAWS AND REGULATIONS

The Company is established in Cayman Islands, most of the Group's operations are performed in domestic China, while the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). During the year ended 31 December 2017 and until the date of publishing this annual report, the Group has always been committed to complying with relevant requirements of the laws and regulations in operation respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees

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

Suppliers

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

Customers

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

FUTURE PROSPECT

Future prospect of the Group is set out in the section headed "Looking Forward with High Vision" in Chairman's Statement on page 7.

DIRECTORS

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

Name	Age	Position
ZHANG Shiping	71	Chairman and Executive Director
ZHENG Shuliang	71	Vice Chairman and Executive Director
ZHANG Bo	48	Chief Executive Officer and Executive Director
ZHANG Ruilian	40	Vice President, Chief Financial Officer and Executive Director
YANG Congsen	48	Non-executive Director
ZHANG Jinglei	41	Non-executive Director
XING Jian	68	Independent Non-executive Director
CHEN Yinghai	58	Independent Non-executive Director
HAN Benwen	67	Independent Non-executive Director
DONG Xinyi	41	Independent Non-executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 71, was appointed the chairman and an executive Director of our Company on 16 January 2011. He joined our Group in July 1994 and is the founder of our Group. Mr. Zhang joined Shandong Weiqiao Alumina & Power Co., Ltd. (山東魏橋鋁電有限公司) ("Weiqiao Aluminum & Power") in December 2002 as a director. He has twelve years of experience in aluminum industry since the commencement of aluminum business in 2006. He is responsible for the overall strategic planning of our Group. He graduated from Anhui College of Finance and Trading (安徽財貿學院) and obtained a diploma in cotton testing in December 1991. He is recognised as a qualified senior economist by the Shandong Economic Professional and Technical Title Senior Evaluating Committee (山東省經濟專業職務高級評審委員會) in 1989. Mr. Zhang Shiping has been the director of Shandong Hongqiao New Materials Co., Ltd (山東宏橋新型材料有限公司) ("Shandong Hongqiao") since July 1994. He served as the general manager of Shandong Weiqiao Chuanye Group Company Limited (山東魏橋創業集團有限公司) ("Chuangye Group") (including its predecessor) from March 1996 to April 1998, the chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) ("Weiqiao Textile", Stock Code: 2698.HK) (including its predecessor) from May 1998 to October 2000, a director of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) ("Binzhou Industrial Park") from November 2001 to May 2010, the chairman of Binzhou Weiqiao Aluminum Technology Co., Ltd. (濱州魏橋鋁業科技有限公司) from December 2002 to September 2007 and the party secretary of Zouping County Supply and Marketing Cooperation Union (鄒平縣供銷合作社聯合社) from March 1998 to February 2004. He is currently the chairman of Chuangye Group, a non-executive Director of Weiqiao Textile, the chairman of Shandong Weiqiao Investment Holding Limited (山東魏橋投資控股有限公司) (formerly named as Zouping Supply and Marketing Investment Co., Ltd (鄒平供銷投資有限公司)), the chairman of Hongqiao Holdings and the chairman of Weiqiao Pioneering (Hong Kong) Import & Export Company Limited (魏橋創業(香港)進出口有限公司). He was a representative of the 9th, 10th and 12th National People's Congress and was selected by the State Council as "National Model Worker in 1995". In 2016, he was awarded as "Top Ten Economic Figures of China in 2015". He is the husband of Ms. Zheng Shuliang, the father of Mr. Zhang Bo and the father-in-law of Mr. Yang Congsen.

Ms. Zheng Shuliang (鄭淑良), aged 71, was appointed the vice chairman and an executive Director of our Company on 16 January 2011. She joined our Group in July 2009 and has been a director and vice chairman of Shandong Hongqiao. She held the positions of the section chief, director of metering division of raw materials purchase department and deputy director of raw materials supply department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Chuangye Group from June 1999 to June 2001. She is the wife of Mr. Zhang Shiping, the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen.

Mr. Zhang Bo (張波), aged 48, was appointed an executive Director and chief executive officer of our Company on 16 January 2011. He graduated from Shandong Broadcast and Television University (山東廣播電視大學) majoring in financial accounting and obtained a bachelor's degree in economics in August 1996. He also obtained a master degree in software engineering in Wuhan University (武漢大學) in June 2005. He joined our Group in 2006 and has been the general manager and the chairman of the board of directors of Weiqiao Alumina & Power since November 2006. Mr. Zhang Bo has eleven years of experience in aluminum industry. He is familiar with the aluminum industry and has been equipped with the expertise in the aluminum industry. He is responsible for overseeing our Group's general operation, for our Group. He has more than nineteen years of management experience. He had also been the deputy general manager of Chuangye Group from April 1998 to February 1999, general manager, executive director, chairman of Weiqiao Textile (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010 and the chairman and general manager of Binzhou Industrial Park from November 2001 to May 2010. He is currently a director of Chuangye Group, a director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) ("Hongqiao Trading") since April 2012 and a director of Hongqiao Investment (Hong Kong) Limited since January 2015. He is a deputy to the vice president of China Non-ferrous Metals Industry Association since March 2015, vice chairman of the International Aluminium Institute since November 2016 and chairman of Binzhou Aluminum Industry Association since June 2014. He was selected by the State Council as "National Model Worker" in 2010. He was a representative of the twelfth Shandong Provincial People's Congress. Mr. Zhang Shiping is his father and Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Ms. Zhang Ruilian (張瑞蓮), aged 40, has been appointed as an executive director of the Company on 11 December 2017. 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 joined our Group in June 2006 and has over seventeen years accounting experience. She served as the manager of audit department of Chuangye Group from December 2005 to June 2006. She has been the head of financial department of Weiqiao Alumina & Power since June 2006 and the director of Weiqiao Alumina & Power since December 2014. She has served as the manager of financial department of Shandong Hongqiao since February 2010, and a director of Hongqiao Trading since April 2012. She is currently the vice president and the chief financial officer of our Company.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 48, was appointed a non-executive Director of our Company on 16 January 2011. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. Mr. Yang obtained a master's degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He joined our Group in January 2007 and has over seventeen years of management experiences. He was responsible for the production and operation of the self-owned power plants of our Group and was also the deputy general manager of Weiqiao Alumina & Power prior to the listing of our Company in 2011. He held the positions of the network administrator of human resources division of Chuangye Group (including its predecessor) from October 1997 to December 1999, head of thermal power plant of Chuangye Group from December 1999 to October 2003, and deputy general manager of Chuangye Group from January 2005 to June 2006. He is currently a director of Chuangye Group. 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 41, was appointed a non-executive Director of our Company on 16 January 2011. He joined our Group in January 2011. He graduated from Xi'an Engineering College (西安工程學院) and obtained the junior college diploma in proximate analysis in July 1997. He joined Weiqiao Textile (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile (including its predecessor) from September 1998 to September 2000. He worked at the securities office, production technology section and the capital markets department of Weiqiao Textile from October 2000. He is currently an executive director and company secretary of Weiqiao Textile (Stock Code: 2698.HK).

Independent Non-Executive Directors

Mr. Xing Jian (邢建), aged 68, 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 58, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from the School of Textile Science and Technology of Beijing Union University (北京聯合大學紡織工程學院) majoring in wool spinning and weaving and obtained the bachelor degree in engineering in July 1987. He held the position of the deputy section head of China Non-cotton Yarns & Fabrics Import & Export Co. (中紡化纖毛麻進出口公司) from December 1990 to April 1991, employer of Chinatex Industry Co., Ltd (中紡實業有限公司) from May 1991 to November 1994, general manager of Chinatex Singapore Trading Co., Ltd (中紡新加坡貿易有限公司) from December 1994 to November 1997, general manager of Chinatex Cotton Yarns and Fabrics Import & Export Corp. (中紡紗布進出口公司) from March 1998 to December 2000, director of representative office of Chinatex in Shanghai (中國紡織品進出口總公司) from March 2003 to May 2004. He is currently an executive director of RFH Equities Co., Ltd (融豐行投資有限公司) since October 2001.

Mr. Han Benwen (韓本文), aged 67, was appointed an independent non-executive Director of our Company on 16 January 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognised by the Shandong branch of the Chinese Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. Mr. Han worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒鑫會計師事務所有限公司) (formerly known as Zouping Jianxin Certified Public Accountants Corporation) as an accountant from December 1999 to February 2007. He is currently working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

Mr. Dong Xinyi (董新義), aged 41, has been appointed as an independent non-executive Director of the company on 11 December 2017. He graduated from Northwest Institute of Politics and Law (西北政法學院, currently known as Northwest University of Politics and Law (西北政法大學)) in Xi'an, Shaanxi Province, the PRC with a bachelor of law degree majoring in international economic law in July 2000; from Korea University in Seoul, Korea with a master of law degree in August 2006 and the degree of doctor of philosophy in law in August 2009, respectively. Mr. Dong served as a clerk at the civil and administrative procuratorial office, the People's Procuratorate of Huangdao District, Qingdao City, Shandong Province from July 2000 to March 2004. He served as the department head of the legal affair department of Sino-Korea Future Urban Development Co., Ltd.* (韓中未來城市開發株式會社) in Korea from July 2009 to July 2010. He served as a postdoctoral researcher at Law School of Renmin University of China (中國人民大學) from July 2010 to June 2012. Since July 2012, Mr. Dong has been serving in various positions at Central University of Finance and Economics (中央財經大學, the "CUFE"), including as a teaching staff and an associate professor. He has concurrently been serving as the deputy head of the Research Center for Internet and Informal Finance Laws of CUFE* (中央財經大學互聯網金融與民間融資法治研究中心) since May 2015 and the head of Research Center for Technology and Finance Law of CUFE* (中央財經大學科技與金融法律研究中心) since June 2017. He has also been the director of Beijing Institute of Financial Services Law* (北京市金融服務法學研究會) since December 2014, an attorney at Beijing King & Capital Law Firm* (北京市京都律師事務所) since February 2016, and the director of Institute of Securities Law of China Law Society (中國法學會證券法學研究會) since April 2017.

SENIOR MANAGEMENT

Mr. Deng Wenqiang (鄧文強), aged 46, 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 and the research and development of aluminum products of our Group. He previously held the positions of workshop director, vice factory director and factory director of Weiqiao Alumina & Power from January 2003 to June 2006. He is currently the deputy general manager of Weiqiao Alumina & Power and deputy general manager of Shandong Hongqiao, the executive director and manager of Huimin County Huihong New Aluminum Profiles Co., Ltd.(惠民縣滙宏新材料有限公司) and executive director and manager of Binzhou Beihai Huihong New Aluminum Profiles Co., Ltd.(濱州北海匯宏新材料有限公司). In 2000, he was awarded the first prize for his quality control achievements by Shandong Province Metallurgical Industry Corporation. In 2005, he was recognised as the Advanced Individual of Science and Technology Work by Shandong Province Metallurgical Industry Corporation. In 2016, he was awarded the First Prize of the China Nonferrous Metals Industry Scientific Technology Award issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) for his technical development and industrialization application of NEUI600kA efficient aluminum electrolytic cell. He was elected as the representative of the 15th and 17th People's Congress of Zouping County and the 9th and 10th People's Congress of Binzhou Municipality.

COMPANY SECRETARY

Ms. Zhang Yuexia (張月霞), aged 42, 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 sixteen years of accounting experience. She held the positions of the manager and section chief of accounting department of Chuangye Group from December 2001 to July 2009 and the deputy manager of the securities department of Weiqiao Textile from March 2008 to January 2010. She is currently the director of Hongqiao Trading since April 2012. Ms. Zhang Yuexia had not served any position in our Group prior to 16 January 2011.

The Directors of the Company present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

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

RESULTS AND FINAL DIVIDENDS

The Group's operating results for the year ended 31 December 2017 and the financial position of the Group as at 31 December 2017 are set out on pages 50 to 52 in the audited consolidated financial statements of this annual report.

The Board proposed the payment of a final dividend of HK20.0 cents per share for the year ended 31 December 2017. The proposed final dividend, subject to the approval of the shareholders at the 2017 annual general meeting (the "2017 Annual General Meeting") held on 16 May 2018, will be paid on 29 June 2018 to the shareholders whose names appear on the register of members of the Company on 11 June 2018.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Thursday, 10 May 2018 to Wednesday, 16 May 2018 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the 2017 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 Wednesday, 9 May 2018. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The share register of the Company will be closed from Tuesday, 5 June 2018 to Monday, 11 June 2018 (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 Monday, 4 June 2018. The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Group for the years ended 31 December 2013, 2014, 2015 and from the audited consolidated financial statements of the Group for the years ended 31 December 2016 and 2017 on pages 50 to 52 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	29,404,462	36,085,800	44,109,934	61,395,578	**93,312,652**
Cost of sales	(21,261,660)	(26,789,332)	(35,081,530)	(47,199,245)	**(78,428,941)**
Gross profit	8,142,802	9,296,468	9,028,404	14,196,333	**14,883,711**
Other income and gains	988,158	739,020	744,676	1,019,222	**3,945,187**
Selling and distribution expense	(60,128)	(94,520)	(88,449)	(164,269)	**(269,603)**
Administrative expenses	(440,171)	(610,884)	(878,696)	(2,080,550)	**(2,062,327)**
Other expenses	(55,662)	(79,940)	(42,670)	(20,063)	**(5,676,945)**
Finance costs	(1,359,200)	(1,905,377)	(3,217,096)	(3,345,896)	**(4,080,113)**
Changes in the fair value of derivative	163,596	(17,034)	(209,932)	25,987	**(19,897)**
Share of loss of associates	–	–	(284)	129,012	**371,989**
Disposal of equity in subsidiaries	–	–	–	4,561	**–**
Profit before tax	7,379,395	7,327,733	5,335,953	9,764,337	**7,092,002**
Income tax expense	(1,792,946)	(2,026,366)	(1,657,994)	(2,948,667)	**(1,785,170)**
Profit for the year	5,586,449	5,301,367	3,677,959	6,815,670	**5,306,832**
Profit for the year attributable to:					
Owners of the parent	5,592,675	5,313,632	3,706,512	6,849,829	**5,118,556**
Non-controlling interests	(6,226)	(12,265)	(28,553)	(34,159)	**188,266**

Assets and liabilities

	As at 31 December				
	2013	2014	2015	2016	**2017**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	65,178,536	83,427,737	106,517,979	142,521,467	**158,118,398**
Total liabilities	38,295,991	50,993,723	70,223,321	96,833,165	**104,901,532**

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2017 are set out in Note 16 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2017 are set out in Notes 32, 33, 34, 35 and 36 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 2017 and as at that date are set out in Note 39 to the consolidated financial statements. The Company does not have any share option scheme.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association 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 2017 and as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2017 and up to the date of this report, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares or debentures of the Company or any other associated corporations, and none of the directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the shares or debentures of the Company or any other associated corporations or had exercised any such right in the Year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 8 December 2017, 11 December 2017, 12 December 2017 and 15 December 2017, pursuant to the share repurchase mandate granted by the Shareholders of the Company at the annual general meeting held on 31 August 2017, the Company repurchased 1,845,000 ordinary shares, 1,973,500 ordinary shares, 700,000 ordinary shares and 4,000,000 ordinary shares of the Company respectively. There were 8,518,500 ordinary shares repurchased in total. On 22 December 2017, the Company cancelled 8,518,500 ordinary shares repurchased in total.

During the year 2017, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	*HK$*	*HK$*
8 December 2017	1,845,000	8.20	7.90	14,851,295
11 December 2017	1,973,500	8.45	8.17	16,366,810
12 December 2017	700,000	8.45	8.38	5,882,735
15 December 2017	4,000,000	9.10	8.80	35,882,330

The above shares were all cancelled on 22 December 2017.

For details, please refer to the announcements of the Company dated 8 December 2017, 11 December 2017, 12 December 2017, 15 December 2017 and the next day disclosure return of the Company dated 22 December 2017.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017 and up to the date of this annual report.

CORPORATE BONDS OF SHANDONG HONGQIAO

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

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

On 21 August 2014, Shandong Hongqiao completed the issuance of 2014 domestic corporate bonds (second tranche) ("14 Hongqiao 02"), the offering size of corporate bonds was RMB1,100,000,000, for a term of 3+2+2 years (7-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third and fifth year), carrying interest of 7.45% per annum. Pursuant to the terms of the repurchase, Shandong Hongqiao repurchased "14 Hongqiao 02" bond from bond holders on 21 August 2017, for a repurchase amount of RMB743,638,000. On the same day, Shandong Hongqiao resold the repurchased bonds, for a resold amount of RMB700,000,000. The remaining amount at present is RMB1,056,362,000. The coupon rate for "14 Hongqiao 02" bond is still 7.45% and remains unchanged.

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

On 2 June 2016, Shandong Hongqiao completed the non-public issuance of 2016 domestic corporate bonds (first tranche), the offering size of corporate bonds was RMB3,000,000,000, for a term of 2+1 years (3-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the second year), carrying interest of 6.05% per annum.

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

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

On 14 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (first tranche), and the offering size of corporate bonds was RMB3,000,000,000, among which, the offering size of corporate bonds with term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year) was RMB2,000,000,000, carrying interest of 4.10% per annum; the offering size of 5-year corporate bonds was RMB1,000,000,000, carrying interest of 4.88% per annum.

On 27 January 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (second tranche), the offering size of corporate bonds was RMB1,800,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.50% per annum.

On 24 February 2016, Shandong Hongqiao completed the issuance of 2016 domestic corporate bonds (third tranche), the offering size of corporate bonds was RMB1,200,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), carrying interest of 4.04% per annum.

CORPORATE BONDS OF WEIQIAO ALUMINUM & POWER

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

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

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

On 10 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (first tranche), with an offering size of RMB4,000,000,000, among which, the offering size of corporate bonds with term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year) was RMB3,500,000,000, carrying interest of 4.27% per annum; the offering size of 5-year corporate bonds was RMB500,000,000, carrying interest of 4.83% per annum.

On 22 March 2016, Weiqiao Alumina & Power completed the issuance of 2016 domestic corporate bonds (second tranche), with an offering size of RMB2,000,000,000, for a term of 3+2 years (5-year fixed rate bonds, with the issuer's option to adjust the coupon rate and the investors' entitlement to sell back at the end of the third year), with an interest of 4.20% per annum.

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

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

SENIOR NOTES

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

PLACING OF PLACING SHARES UNDER SHARE SPECIFIC MANDATE

On 24 November 2017, the Company successfully allotted and issued an aggregate of 806,640,670 placing shares to CTI Capital Management Limited (中信信惠國際資本有限公司), the share subscriber, at the placing price of HK $6.80 per placing share under the share specific mandate. The net proceeds of the share placing amounted to approximately HK$5,481,000,000 and were fully used by the Company according to the purposes disclosed in the Company's announcement dated 15 August 2017. For details, please refer to the Company's announcement dated 15 August 2017, circular dated 2 November 2017, poll results announcement dated 20 November 2017 and announcement dated 24 November 2017.

PLACING OF US$320,000,000 5.0% CONVERTIBLE BONDS DUE 2022 UNDER CB SPECIFIC MANDATE

On 28 November 2017, the Convertible Bonds with an initial principal amount of US$320,000,000 have been successfully issued by the Company to CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司), with the initial conversion price of HK$8.16 (subject to adjustment), under the CB specific mandate. The net proceeds of the CB placing amounted to approximately US$316,800,000 and were fully used by the Company according to the purposes disclosed in the announcement of the Company dated 15 August 2017. For details, please refer to the Company's announcement dated 15 August 2017, circular dated 2 November 2017, poll results announcement dated 20 November 2017 and announcement dated 28 November 2017.

On 25 January 2018, CNCB (Hong Kong) Investment Limited (信銀(香港)投資有限公司) converted the Convertible Bonds for 23% of the initial amount held by it into 70,544,156 shares at the initial conversion price of HK $8.16 per share. For details, please refer to the announcement of the Company dated 15 August 2017 and the next day disclosure return dated 25 January 2018.

COMPLETION OF ACQUISITION OF SHARES OF HONGCHUANG

On 21 April 2017, Shandong Hongqiao purchased 261,096,605 shares of Hongchuang from Mr. Yu Rongqiang, representing approximately 28.18% of total shares of Hongchuang.

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2017 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 December 2017 are set out in note 52 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, sales to the Group's five largest customers accounted for 66.0% of the Group's total sales for the year ended 31 December 2017, and sales to its largest customer accounted for 48.0% of the Group's total sales for the year ended 31 December 2017.

During the year ended 31 December 2017, purchases from the Group's five largest suppliers accounted for 36.9% of the Group's total purchases for the year ended 31 December 2017, and purchases from the Group's largest supplier accounted for 25.6% of the Group's total purchases for the year ended 31 December 2017.

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 issued share capital) had any equity interests in the five major customers and suppliers of the Group during the Period under Review save as disclosed in this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of their 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 a term of three years with effect from their respective dates of appointment, unless terminated by not less than one month's notice in writing served by either the Directors or the Company. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association. None of the Directors being re-elected at the 2017 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)*
Ms. ZHANG Ruilian *(Vice President, 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. DONG Xinyi

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 during the year ended 31 December 2017 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 2017, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong) 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	5,968,092,073	74.07
Ms. ZHENG Shuliang(2)	Interest of spouse	5,968,092,073	74.07
Shiping Prosperity Private Trust Company(3)	Trustee	5,968,092,073	74.07
Hongqiao Holdings(3)	Beneficial owner	5,968,092,073	74.07
CTI Capital Management Limited(4)	Beneficial owner	806,640,670	10.00
CITIC Limited(4)	Interest of a controlled corporation	806,640,670	10.00
CITIC Group Corporation(4)	Interest of a controlled corporation	806,640,670	10.00

Notes:

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

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

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

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

Save as disclosed above, as at 31 December 2017, 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 2017, the Directors and chief executive had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or to be entered in the register described in the provisions pursuant to Section 352 of the SFO; or to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in the Listing Rules, were as follows:

Long positions in the shares of the Company

Name of director	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping[(1)]	Interest of a controlled corporation	5,968,092,073	74.07
Ms. ZHENG Shuliang[(2)]	Interest of spouse	5,968,092,073	74.07
Mr. ZHANG Bo[(3)]	Beneficial owner	8,870,000	0.11

Notes:

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

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

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

Save as disclosed above, as at 31 December 2017, 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 to have an interest or short position in the shares, underlying shares or debentures of the Company or any of its holding companies, subsidiaries or associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code. At no time was the Company or any of its holding companies or subsidiaries a party to any arrangements to enable the Directors or the chief executive of the Company (including their spouse or children under the age of 18) to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or subsisted during the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

At no time during the year ended 31 December 2017 and up to the date of this annual report, there was or is, any permitted indemnity provision being in force for the benefit of any directors of the Company (whether made by the Company or otherwise) or of its associated company (if made by the Company).

The Company has purchased and maintained directors' and senior management liability insurance for the year ended 31 December 2017, which provides appropriate protection over certain legal actions brought against its directors and senior management.

CONNECTED TRANSACTIONS

The following related party transactions disclosed in Note 48 to the consolidated financial statements constituted continuing connected transactions under the Listing Rules, and the Company has complied with all the relevant requirements under Chapter 14A of the Listing Rules. Save as disclosed in this paragraph, no other related party transactions set out in Note 48 to the consolidated financial statements constitute connected transactions or continuing connected transactions under the Listing Rules.

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

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

The pricing for the purchase of water from Jinsha Water Supply by Zhanhua Huihong will be approximately RMB1.748 per ton (excluding the value-added tax) or RMB1.8 per ton (including the value-added tax), which was determined with reference to the price charged by Jinsha Water Supply to other independent third parties for the supply of water on normal commercial terms in its ordinary and usual course of business. If the price is otherwise mandatorily regulated by the PRC government, the mandatory governmental price shall be adopted by the Production Water Supply Agreement.

During the Year, the purchase of water for production use under the Original Production Water Supply Agreement by Zhanhua Huihong from Jinsha Water Supply amounted to approximately RMB29,679,000, which was below the 2017 annual cap of approximately RMB148,000,000.

The details of the above connected transaction were disclosed in the announcements of the Company issued on 29 June 2015 and 20 November 2017.

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

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

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

During the Year, the sales of steam under the Original Steam Supply Agreement by Binzhou City Hongnuo to Binzhou Industrial Park amounted to approximately RMB24,310,000, which was below the 2017 annual cap of approximately RMB44,130,000.

The details of the above connected transaction were disclosed in the announcements of the Company issued on 3 July 2015 and 20 October 2017.

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

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

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

During the Year, the sales of steam under the steam supply agreement by Hongli Thermal Power to Ming Hong Textile amounted to approximately RMB1,961,000, which was below the 2017 annual cap of approximately RMB8,580,000.

The details of the above connected transaction were disclosed in the announcement of the Company issued on 20 October 2017.

Chongqing Weiqiao agreed to provide accounts receivable factoring service to Shandong Hongqiao and its 12 wholly-owned subsidiaries

Shandong Hongqiao, an indirect wholly-owned subsidiary of the Company, and its twelve wholly-owned subsidiaries and Chongqing Weiqiao Financial Factoring Co., Ltd. ("Chongqing Weiqiao") entered into factoring service agreement (the "Factoring Agreement") on 17 January 2017, pursuant to which Chongqing Weiqiao agreed to provide accounts receivables factoring services to Shandong Hongqiao and its 12 wholly-owned subsidiaries for a period from 17 January 2017 to 31 December 2019.

Pursuant to the Factoring Agreement, the total amount of annual receivables that Shandong Hongqiao and its twelve wholly-owned subsidiaries will transfer to Chongqing Weiqiao during three financial years ending 31 December 2019 are determined with reference to 50% of the expected maximum annual factoring credit limit of certain buyers of the Group's products which will be involved in the factoring arrangement and are independent third parties to the Company ("Buyers") to be granted by Chongqing Weiqiao. Such expected maximum annual factoring credit limit is 20% of the account receivables incurred from sales of goods or provision of services by Shandong Hongqiao and its twelve wholly-owned subsidiaries to the Buyers for the year ended 31 December 2016.

On January 22, 2018, Shandong Hongqiao and Weiqiao Chuangye entered into an equity transfer agreement, pursuant to which Shandong Hongqiao agreed to purchase and Weiqiao Chuangye agreed to sell a 55% stake in Chongqing Weiqiao. The acquisition was completed on 25 January 2018. Upon completion of the acquisition, Chongqing Weiqiao has become a non wholly-owned subsidiary of the Company and the Factoring Agreement and the transactions contemplated thereunder no longer constitute continuing connected transactions of the Company under the Listing Rules.

During the Year, pursuant to the Factoring Agreement, Shandong Hongqiao and its twelve wholly-owned subsidiaries transfered the total annual accounts receivables to Chongqing Weiqiao of approximately RMB1,054,500,000, which was below the 2017 annual cap of approximately RMB1,897,000,000.

The details of the above connected transaction were disclosed in the announcements of the Company issued on 17 January 2017 and 22 January 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITOR'S CONFIRMATION

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

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

(ii) on normal commercial terms; and

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

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

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

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

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

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

RETIREMENT BENEFIT SCHEME

Details of the retirement benefit scheme of the Group are set out in Note 49 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 2017 and up to the date of this annual report.

COMPLIANCE WITH PROVISIONS OF CORPORATE GOVERNANCE CODE

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

For the year ended 31 December 2017, the Company was in compliance with the mandatory code provisions of the CG Code.

SUFFICIENCY OF PUBLIC FLOATING

Based on the information that is publicly available to the Company and as far as the directors are aware, the Company has maintained the amount of public float as approved by the Stock Exchange of and as permitted under the Listing Rules 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 CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee is composed of four independent non-executive Directors. An Audit Committee meeting was held on 23 March 2018 to review the consolidated financial statements of the Group for the year ended 31 December 2017. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2017 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

BUSINESS REVIEW

Business review of the Group during the Year is set out in Management Discussion and Analysis pages 8 to 16 of the annual report.

INTERNATIONAL AUDITORS

SHINEWING (HK) CPA Limited ("ShineWing HK") was the Company's international auditors for the year ended 31 December 2017. A resolution for the re-appointment of ShineWing HK as the international auditors of the Company will be proposed at the 2017 Annual General Meeting.

On 27 April 2017, the Company received a resignation letter from Ernst & Young, pursuant to which Ernst & Young has resigned as the auditor of the Group with effect from 27 April 2017.

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

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

23 March 2018

CORPORATE GOVERNANCE

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

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

For the year ended 31 December 2017, the Company was in compliance with the mandatory code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiries with the Directors, the Company has confirmed that each of the Directors complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2017 and up to the date of issuance of this annual report.

THE BOARD OF DIRECTORS

As at 31 December 2017, the Board of the Company comprised of four executive Directors, three non-executive Directors, four independent non-executive Directors. The Board members are as follows:

Executive Directors

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

Non-executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei
Mr. CHEN Yisong (resigned on 2 February 2018, Mr. ZHANG Hao ceased to act as his alternate on 2 February 2018)

Independent Non-executive Directors

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

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

Responsibilities

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

Delegation of management function

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

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

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

Appointment and re-election of Directors

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

Each of the Directors has entered into a service contract with the Company for a period of three years. Unless terminated by not less than one month's notice in writing served by either the Directors or the Company, the contract will be automatically renewed until terminated in accordance with the terms of the service contract. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association. At the annual general meeting of 2016 held by the Company on 31 August 2017, Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Xing Jian, Mr. Chen Yinghai and Mr. Han Benwen were re-elected as Directors of the Company. Ms. Zhang Ruilian has been appointed as an executive director of the Company on 11 December 2017. Mr. Dong Xinyi has been appointed as an independent non-executive Director of the Company on 11 December 2017. Mr. Chen Yisong has been appointed as a non-executive Director of the Company on 11 December 2017 and has resigned on 2 February 2018, details of which are disclosed in the announcement of the Company dated 2 February 2018.

In accordance with the Articles of Association, all Directors 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 roles and responsibilities.

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. All Directors are encouraged to attend relevant training courses at the Company's expense. From 1 January 2017 to 31 December 2017, all Directors have been required to provide the Company with their training records, and relevant records have been maintained by the company secretary. All Directors of the Company including Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Ms. Zhang Ruilian, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Chen Yisong, Mr. Chen Yinghai, Mr. Xing Jian, Mr. Han Benwen, Mr. Dong Xinyi and the Company Secretary Ms. Zhang Yuexia attended the training courses or continuing study programmes in relation to corporate governance and management to further enhance their knowledge and skills.

Performance evaluation

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure improvement in its functioning. During 2017, the Board had conducted the evaluation of its performance.

Number of meetings and Directors' attendance

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

During the year ended 31 December 2017, eleven board meetings either in person or through other electronic means of communication were held and the attendance records of individual Directors are set out below:

Name of Directors	Number of Board Meetings Attended/Held	Number of General Meetings Attended/Held
Executive Directors		
Mr. ZHANG Shiping	11/11	3/3
Ms. ZHENG Shuliang	11/11	3/3
Mr. ZHANG Bo	11/11	3/3
Ms. ZHANG Ruilian(1)	0/11	0/3
Non-Executive Directors		
Mr. YANG Congsen	11/11	3/3
Mr. ZHANG Jinglei	11/11	2/3
Mr. CHEN Yisong(2)	0/11	0/3
Independent Non-Executive Directors		
Mr. XING Jian	9/11	3/3
Mr. CHEN Yinghai	9/11	1/3
Mr. HAN Benwen	9/11	3/3
Mr. DONG Xinyi(3)	0/11	0/3

Notes:

(1) As Ms. ZHANG Ruilian was appointed as an executive Director of the Company on 11 December 2017, her attendance was nil.

(2) As Mr. CHEN Yisong was appointed as a non-executive Director of the Company on 11 December 2017, his attendance was nil.

(3) As Mr. DONG Xinyi was appointed as an independent non-executive Director of the Company on 11 December 2017, his attendance was nil.

PRACTICES AND CONDUCT OF MEETINGS

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

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

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

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

TERMS OF OFFICE OF DIRECTORS

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

SUBORDINATE COMMITTEES OF THE BOARD

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

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

A. AUDIT COMMITTEE

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

The composition of the Audit Committee

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

Roles and functions

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

The Company's annual results for the year ended 31 December 2017 have been reviewed by the Audit Committee.

During the year ended 31 December 2017, the Audit Committee held seven meetings, and the attendance record of individual committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	7/7
Mr. XING Jian	7/7
Mr. CHEN Yinghai	6/7
Mr. DONG Xinyi (Note)	0/7

Note: As Mr. DONG Xinyi was appointed as an independent non-executive Director of the Company on 11 December 2017, his attendance was nil.

B. REMUNERATION COMMITTEE

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

The composition of the Remuneration Committee

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

Roles and functions

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

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

During the year ended 31 December 2017, the Remuneration Committee held one meeting to fulfill the duties as required aforesaid and the attendance record of individual committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	1/1
Mr. ZHANG Shiping	1/1
Mr. XING Jian	1/1
Mr. DONG Xinyi (Note)	0/1

Note: As Mr. DONG Xinyi was appointed as an independent non-executive Director of the Company on 11 December 2017, his attendance was nil.

C. NOMINATION COMMITTEE

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

The Nomination Committee was established on 16 January 2011. During the year ended 31 December 2017, the Nomination Committee held one meeting, and the attendance record of individual committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. XING Jian *(Chairman of the Nomination Committee)*	1/1
Mr. ZHANG Shiping	1/1
Mr. HAN Benwen	1/1
Mr. DONG Xinyi (Note)	0/1

Note: As Mr. DONG Xinyi was appointed as an independent non-executive Director of the Company on 11 December 2017, his attendance was nil.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. Specific enquiry has been made of all the Directors, and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2017.

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

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

EXTERNAL AUDITORS

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

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2017 amounted to RMB4,200,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

COMPANY SECRETARY

All Directors have access to the advice and services of the company secretary, Ms. Zhang Yuexia. The company secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with the shareholders and the management. As at 31 December 2017, the company secretary undertook over 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

Independent Auditor's Report

For the year ended 31 December 2017

信永中和
ShineWing

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

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

OPINION

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 50 to 154, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

- Transactions with related parties and disclosure;
- Impairment of property, plant and equipment;
- Impairment of goodwill; and
- Recoverability of a loan receivable

KEY AUDIT MATTERS (Continued)

TRANSACTIONS WITH RELATED PARTIES AND DISCLOSURE

Refer to note 48 to the consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in our audit

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

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

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

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements.

The key audit matter

As at 31 December 2017, the carrying amount of property, plant and equipment amounted to approximately RMB83,985,765,000, representing a significant portion to the Group's total assets.

Since 2017, the PRC government has been forcing the suspension of aluminum plants that have not obtained proper permits to build or expand, or that have not met strict environmental standards, as the PRC government pushes to tackle air pollution issues and shore up loss-making industries. The Group is one of the targets of the PRC government and since June 2017, the Group has been shutting down or partially shutting down its older production plants or plants that have not obtained proper permits.

The Group engaged an independent professional valuer to perform valuation on property, plant and equipment as at 31 December 2017.

How the matter was addressed in our audit

We have obtained relevant government policies, notices and publications regarding the rectification of the aluminum industry.

We have obtained the full list of suspended property, plant and equipment and internal meeting minutes, records and annual budgets of the Group.

We have performed site visit of major property, plant and equipment, with specific focus on those suspended property, plant and equipment and cross check to our lists obtained.

We have considered the objectivity, independence and expertise of the valuer, and assessed the appropriateness of the valuation methodology. We challenged the data used as inputs for the valuation, which included discount rates, second hand market prices of comparables, transactions costs reviewed the basis of calculation and compared the input data to market sources.

KEY AUDIT MATTERS (Continued)

IMPAIRMENT OF GOODWILL

Refer to note 21 to the consolidated financial statements.

The key audit matter

As at 31 December 2017, the carrying amount of goodwill amounted to approximately RMB1,265,763,000. An impairment loss on goodwill approximately RMB668,694,000 was recognised for the year ended 31 December 2017.

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

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

How the matter was addressed in our audit

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

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

RECOVERABILITY OF A LOAN RECEIVABLE

Refer to note 26 to the consolidated financial statements.

The key audit matter

As at 31 December 2017, the Group had a loan receivable including accrued interest of approximately RMB9,954,959,000 due from a supplier.

Taking into account the magnitude of loan receivable amount, the recoverability of such loan receivable posed a significant risk on the Group's liquidity.

Besides, the assessment on the recoverability of the loan receivable entails a significant degree of management judgement and may be subject to management bias.

We consider the assessment of impairment of the loan receivable is a key audit matter.

How the matter was addressed in our audit

Our audit procedures were designed to review management's assessment of indicators of impairment and evaluate the reasonableness of the methods and assumptions used to estimate the allowance for doubtful debts.

We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessing the management's impairment testing. We have evaluated the assumptions and critical judgement used by the management by assessing the reliability of the management's past estimates and taking into account the ageing at year end and cash received after year end, as well as the recent creditworthiness of the supplier.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

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

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

23 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	5	**93,312,652**	61,395,578
Cost of sales		**(78,428,941)**	(47,199,245)
Gross profit		**14,883,711**	14,196,333
Other income and gains	7	**3,945,187**	1,019,222
Selling and distribution expenses		**(269,603)**	(164,269)
Administrative expenses		**(2,062,327)**	(2,080,550)
Other expenses	8	**(5,676,945)**	(20,063)
Finance costs	9	**(4,080,113)**	(3,345,896)
Changes in fair values of derivatives	29	**(19,897)**	25,987
Share of profits of associates	20	**371,989**	129,012
Gain on disposal of a subsidiary	44	**–**	4,561
Profit before taxation		**7,092,002**	9,764,337
Income tax expenses	10	**(1,785,170)**	(2,948,667)
Profit for the year	11	**5,306,832**	6,815,670
Attributable to:			
Owners of the Company		**5,118,566**	6,849,829
Non-controlling interests		**188,266**	(34,159)
		5,306,832	6,815,670
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**(102,409)**	144,464
Share of other comprehensive (expense) income of associates		**(38,910)**	7,231
		(141,319)	151,695
Total comprehensive income for the year, net of income tax		**5,165,513**	6,967,365
Total comprehensive income for the year attributable to			
Owners of the Company		**5,032,617**	6,945,267
Non-controlling interests		**132,896**	22,098
		5,165,513	6,967,365
Earnings per share	15		
– Basic (RMB)		**0.6970**	0.96
– Diluted (RMB)		**0.6966**	0.96

Consolidated Statement of Financial Position

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**83,985,765**	86,658,456
Intangible assets	17	**13,972**	–
Prepaid lease payments	18	**3,806,787**	3,066,503
Investment properties	19	**150,931**	–
Deposits paid for acquisition of property, plant and equipment		**421,144**	1,745,089
Deposits paid for acquisition of land		**14,968**	443,390
Deferred tax assets	37	**1,784,856**	557,322
Interests in associates	20	**1,325,328**	944,796
Goodwill	21	**1,265,763**	311,769
Other financial assets	27	**–**	14,631
Available-for-sale investments	22	**6,000**	–
		92,775,514	93,741,956
CURRENT ASSETS			
Prepaid lease payments	18	**85,902**	56,152
Inventories	23	**15,585,330**	17,143,324
Trade receivables	24	**2,211,734**	363,314
Bills receivables	25	**11,912,479**	9,721,942
Prepayments, loan and other receivables	26	**12,359,225**	8,242,544
Other financial assets	27	**57**	13,047
Restricted bank deposits	28	**1,262,589**	396,808
Cash and cash equivalents	28	**21,925,568**	12,842,380
		65,342,884	48,779,511
CURRENT LIABILITIES			
Trade and bills payables	30	**16,060,100**	7,506,386
Other payables and accruals	31	**16,343,471**	12,603,276
Bank borrowings – due within one year	32	**9,529,148**	14,310,943
Other financial liabilities	27	**–**	1,691
Income tax payable		**1,163,430**	724,632
Short-term debentures and notes	33	**3,000,000**	11,000,000
Medium-term debentures and bonds – due within one year	34	**7,196,185**	731,664
Guaranteed notes	35	**1,957,399**	2,768,436
Deferred income	38	**15,321**	6,106
		55,265,054	49,653,134
NET CURRENT ASSETS (LIABILITIES)		**10,077,830**	(873,623)
TOTAL ASSETS LESS CURRENT LIABILITIES		**102,853,344**	92,868,333

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILTIES			
Bank borrowings – due after one year	32	**10,509,118**	4,696,770
Liability component of convertible bonds	36	**1,095,225**	–
Derivatives component of convertible bonds	36	**991,660**	–
Deferred tax liabilities	37	**505,125**	578,097
Medium-term debentures and bonds – due after one year	34	**36,271,871**	39,720,060
Guaranteed notes	35	**–**	2,070,436
Deferred income	38	**263,479**	114,668
		49,636,478	47,180,031
NET ASSETS		**53,216,866**	45,688,302
CAPITAL AND RESERVES			
Share capital	39	**526,966**	474,057
Reserves	40	**50,706,364**	44,324,255
Equity attributable to owners of the Company		**51,233,330**	44,798,312
Non-controlling interests		**1,983,536**	889,990
TOTAL EQUITY		**53,216,866**	45,688,302

The consolidated financial statements on pages 50 to 154 were approved and authorised for issue by the board of directors on 23 March 2018 and are signed on its behalf by:

Zhang Shiping
Director

Zhang Bo
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company								
	Share capital RMB'000	**Share premium RMB'000**	**Capital reserve RMB'000 (Note 40)**	**Translation reserve RMB'000 (Note 40)**	**Statutory surplus reserve RMB'000 (Note 40)**	**Retained earnings RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total RMB'000**
At 1 January 2017	**474,057**	**10,393,143**	**793,349**	**144,453**	**5,147,142**	**27,846,168**	**44,798,312**	**889,990**	**45,688,302**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**5,118,566**	**5,118,566**	**188,266**	**5,306,832**
Other comprehensive (expenses) income for the year:									
Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**(47,039)**	**–**	**–**	**(47,039)**	**(55,370)**	**(102,409)**
Share of other comprehensive expense of associates	**–**	**–**	**–**	**(38,910)**	**–**	**–**	**(38,910)**	**–**	**(38,910)**
Total comprehensive (expense) income	**–**	**–**	**–**	**(85,949)**	**–**	**5,118,566**	**5,032,617**	**132,896**	**5,165,513**
Acquisition of subsidiaries (note 43)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**960,650**	**960,650**
Shares issued (note 39)	**53,454**	**4,615,950**	**–**	**–**	**–**	**–**	**4,669,404**	**–**	**4,669,404**
Share issue expenses	**–**	**(1,440)**	**–**	**–**	**–**	**–**	**(1,440)**	**–**	**(1,440)**
Final 2016 dividend declared	**–**	**–**	**–**	**–**	**–**	**(1,840,322)**	**(1,840,322)**	**–**	**(1,840,322)**
Special 2016 dividend declared	**–**	**–**	**–**	**–**	**–**	**(1,363,201)**	**(1,363,201)**	**–**	**(1,363,201)**
Transfer of reserves	**–**	**–**	**–**	**–**	**849,174**	**(849,174)**	**–**	**–**	**–**
Shares repurchased and cancelled (note 39)	**(545)**	**(61,495)**	**–**	**–**	**–**	**–**	**(62,040)**	**–**	**(62,040)**
At 31 December 2017	**526,966**	**14,946,158**	**793,349**	**58,504**	**5,996,316**	**28,912,037**	**51,233,330**	**1,983,536**	**53,216,866**

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 40)	Translation reserve RMB'000 (Note 40)	Statutory surplus reserve RMB'000 (Note 40)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2016, restated	415,834	7,241,883	793,349	49,015	4,295,611	22,770,832	35,566,524	728,134	36,294,658
Profit (loss) for the year	–	–	–	–	–	6,849,829	6,849,829	(34,159)	6,815,670
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of foreign operations	–	–	–	88,207	–	–	88,207	56,257	144,464
Share of other comprehensive income of associates	–	–	–	7,231	–	–	7,231	–	7,231
Total comprehensive income	–	–	–	95,438	–	6,849,829	6,945,267	22,098	6,967,365
Shares issued (note 39)	58,223	3,163,917	–	–	–	–	3,222,140	–	3,222,140
Share issue expenses	–	(12,657)	–	–	–	–	(12,657)	–	(12,657)
Final 2015 dividend declared	–	–	–	–	–	(930,705)	(930,705)	–	(930,705)
Transfer of reserves	–	–	–	–	851,531	(851,531)	–	–	–
Acquisition of additional interest of a subsidiary (note (a))	–	–	–	–	–	7,743	7,743	(7,743)	–
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	147,501	147,501
At 31 December 2016	474,057	10,393,143	793,349	144,453	5,147,142	27,846,168	44,798,312	889,990	45,688,302

Note:

(a) On 1 April 2016, the Group injected additional share capital of approximately RMB200,012,000 to PT. Well Harvest Winning Alumina Refinery ("PT Well"), which increased the Group's interest in PT Well from 60% to approximately 61%, resulted in a deemed acquisition of 1% equity interests in PT Well.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**7,092,002**	9,764,337
Adjustments for:		
Interest income	**(614,497)**	(104,628)
Finance costs	**4,080,113**	3,345,896
Share of profits of associates	**(371,989)**	(129,012)
Depreciation	**7,780,493**	5,596,906
(Gain) loss on disposal of property, plant and equipment	**(8,096)**	8,918
Loss (gain) on fair value changes of derivatives	**19,897**	(25,987)
Investment loss (gain) from derivatives	**19,427**	(18,070)
Expenses on issue of convertible bonds	**10,390**	–
Amortisation of prepaid lease payments	**85,538**	53,038
Amortisation of intangible assets	**998**	–
Reversal of impairment of inventories	**(51,235)**	(42,670)
Impairment loss recognised in respect of inventories	**149,836**	12,792
Impairment loss recognised in respect of trade receivables	**7,133**	6,708
Impairment loss recognised in respect of other receivables	**22,519**	563
Impairment loss recognised in respect of goodwill	**668,694**	–
Impairment loss recognised in respect of property, plant and equipment	**4,828,763**	–
Gain on disposal of a subsidiary	**–**	(4,561)
Amortisation of deferred income	**(11,951)**	(456)
Operating cash flows before movements in working capital	**23,708,035**	18,463,774
Decrease (increase) in inventories	**1,436,790**	(4,519,742)
(Increase) decrease in trade receivables	**(1,601,060)**	1,011,957
Increase in bills receivables	**(2,190,537)**	(1,601,730)
Decrease (increase) in prepayments and other receivables	**4,840,542**	(516,511)
Increase in restricted bank balance	**(2,732)**	(2,832)
Increase in trade and bills payables	**8,506,782**	1,704,872
Increase in other payables and accruals	**604,491**	607,440
Cash generated from operations	**35,302,311**	15,147,228
Income tax paid	**(2,682,098)**	(2,318,189)
NET CASH FROM OPERATING ACTIVITIES	**32,620,213**	12,829,039
INVESTING ACTIVITIES		
Advance to a supplier	**(13,057,000)**	–
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(8,768,464)**	(20,830,387)
Placement of restricted bank deposits	**(3,073,310)**	(1,684,063)
Net cash outflow arising on acquisition of subsidiaries	**(568,195)**	(2,116,523)
Addition to prepaid land lease payments and deposits for acquisition of land	**(158,487)**	(791,473)
Proceeds from disposal of property, plant and equipment	**41,579**	9,935
Interest income received	**673,943**	40,041
Withdrawal of restricted bank deposits	**2,210,261**	1,891,504
Repayment from a supplier	**3,107,000**	–
Receipt of government grants	**–**	68,740
Loans to associates	**–**	(378,500)
Proceeds from termination of derivatives	**4,837**	–
Repayment to a former shareholder of a newly acquired subsidiary (note 43)	**–**	(4,541,679)
Deposits paid for acquisition of a subsidiary (note 43)	**–**	(899,515)
Addition of an associate	**–**	(20,024)
Disposal of a subsidiary (note 44)	**–**	3,119
NET CASH USED IN INVESTING ACTIVITIES	**(19,587,836)**	(29,248,825)

	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**17,918,696**	15,742,657
Proceeds from issuance of short-term debentures and notes	**8,000,000**	16,000,000
Proceeds from issue of shares	**4,669,404**	3,222,140
Proceeds from issuance of medium-term debentures and bonds	**3,000,000**	28,800,000
Proceeds from issue of convertible bonds	**2,113,088**	–
Receipt of government grants	**169,977**	–
Transaction costs attributable to issue of new shares	**(1,440)**	(12,657)
Transaction costs on issuance of medium-term debentures and notes	**(1,519)**	(311,345)
Transaction costs on issuance of short-term debentures and notes	**(15,864)**	(62,000)
Transaction costs on issue of convertible bonds	**(22,075)**	–
Payment on repurchase of shares	**(62,040)**	–
Repayment of guaranteed notes	**(2,877,945)**	–
Interest expense paid	**(3,993,065)**	(2,820,045)
Repayment of short-term debentures and notes	**(16,000,000)**	(19,000,000)
Repayment of bank borrowings	**(16,831,977)**	(20,111,536)
Contribution from non-controlling shareholders	**–**	147,501
Repayment of other borrowings	**–**	(75,000)
Dividends paid to the owners of the Company	**–**	(930,705)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(3,934,760)**	20,589,010
NET INCREASE IN CASH AND CASH EQUIVALENTS	**9,097,617**	4,169,224
Effect of changes in foreign exchange rates	**(14,429)**	184,622
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**12,842,380**	8,488,534
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	**21,925,568**	12,842,380
Analysis of Components of Cash and Cash Equivalents:		
Cash and bank balances	**20,723,800**	12,827,380
Non-pledged time deposits with original maturity of less than three months when acquired	**1,201,768**	15,000
Cash and cash equivalents as stated in the consolidated statement of financial position	**21,925,568**	12,842,380
Cash and cash equivalents as stated in the consolidated statement of cash flows	**21,925,568**	12,842,380

1. CORPORATE INFORMATION

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

The Company acts as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the "Group") are set out in note 53.

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

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

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

Amendments to IFRSs	Annual Improvements to IRSs 2014-2016 Cycle: Amendments to IFRS 12
Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to IAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to IAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 51. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 51, the directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

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

New and revised IFRSs issued but not yet effective

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

IFRS 9 (2014)	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 28	Long-term Interest in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective date not yet been determined.

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

IFRS 9 (2014) Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, IFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of IFRS 9 was issued in 2014 to incorporate all the requirements of IFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of IFRS 9 also introduces an "expected credit loss" model for impairment assessments.

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

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

Key requirements of IFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of IFRS 9 (2014) 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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 (2014), 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss ("FVTPL"), IFRS 9 (2014) requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in IAS 39 for the recognition of credit losses. Under the impairment approach in IFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

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

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

Key requirements of IFRS 9 (2014) are described below: (Continued)

- IFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, IFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under IAS 39, it is necessary to exhibit eligibility and compliance with the requirements in IAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for IAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

IFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company has performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of IFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) Classification and measurement

The Group's available-for-sale investments that are not held for trading and are currently stated at cost less impairment, The Group will make an irrevocable election to present in other comprehensive income the changes in fair value. For the derivatives component of convertible bonds designated at fair value through profit or loss, the change in fair value that is attributable to changes in credit risk could be presented in other comprehensive income.

For other financial assets and financial liabilities, the directors of the Company expect to continue recognise initially at fair value for other financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of IFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) Impairment

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade, bills, loan and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade, bills, loan and other receivables and increase the amount of impairment allowance recognised for these items.

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

New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 (2014) Financial Instruments (Continued)

Key requirements of IFRS 9 (2014) are described below: (Continued)

(b) Impairment (Continued)

The directors of the Company will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of IFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of IFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, IFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

IFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are sales of goods. Under IFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under IAS 18 *Revenue*. Furthermore, IFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. However, the directors of the Company expect that the adoption of IFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 December 2017.

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

New and revised IFRSs issued but not yet effective (Continued)

IFRS 16 Leases

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

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

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

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

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

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

IFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB7,893,000 as disclosed in note 46. Out of this balance, an amount of approximately RMB6,457,000 represents operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under IFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of IFRS 16 will not have other material impact on amounts reported in the Group the measurement, presentation and disclosure to the consolidated financial statements.

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

New and revised IFRSs issued but not yet effective (Continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The interpretation clarifies that, when there is uncertainty over income tax treatments, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation.

When an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity is required to determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates consistently with that tax treatment. When an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity is required to reflect the effect of uncertainty in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates by either the most likely amount method or the expected value method that better predict the resolution of the uncertainty.

IFRIC-Int 23 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted. The amendments should be applied retrospectively.

The directors of the Company expect that the adoption of IFRIC-Int 23 may affect its consolidated financial statements and the required disclosures. In addition, the directors of the Company may need to establish processes and procedures to obtain information that is necessary to apply IFRIC-Int 23 on a timely basis.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The application of this Interpretation is not restricted to revenue transactions.

IFRIC Interpretation 22 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of IFRIC Interpretation 22 may have impact on the Group's purchase in foreign currencies. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Changes in the Group's ownership interests in existing subsidiaries

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

Business combinations

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

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

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 Income Taxes;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

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

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

Retirement benefits costs and termination benefits

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

Intangible asset acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

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

Investments in subsidiaries

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

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

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

- the financial asset forms part of a group of financial assets or financial liabilities or both which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. Fair value is determined in the manner described in note 42.

Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

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

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

Impairment loss on financial assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in profit or loss and excludes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 42.

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds

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

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivatives component are charged directly 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

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, 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 of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 the 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 the 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 the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying accounting policies

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

Ownership of the land and buildings

Despite the Group has paid the full purchase consideration as detailed in notes 16 and 18, formal titles of certain of the Group's rights to the use of the land and buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of Company determine to recognise these lands and buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these lands and buildings. In the opinion of the directors of Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

Controls in subsidiaries

As per note 53 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited (formerly known as Loften Environmental Technology Co., Ltd) ("Hongchuang") is a subsidiary of the Group even through the Group has only a 28.18% ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in PRC and its shares are listed on the Shenzhen Stock Exchange. The Group has had 28.18% ownership interest since May 2017 and the remaining 71.82% of the ownership interests are held by numerous shareholders that are unrelated to the Group.

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

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

Critical judgements in applying accounting policies (Continued)

Withholding tax provision on profit appropriation

The Group provides for withholding taxes of 10% on certain of its PRC subsidiaries' distributable profits generated from 1 January 2011 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2017, the amounts provided for withholding tax was RMB142,261,000 (2016: RMB233,849,000). Further details are given in note 37 to the consolidated financial statements.

Related party transactions

As per note 48 to the consolidated financial statements, the directors of the Company considered various entities, which are either associates of the Group or companies controlled or significantly influenced by a controlling shareholder of the Company, are related parties of the Group.

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

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use/fair value less cost of disposal of the cash-generating units ("CGUs") to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimating the fair value less costs of disposal requires the Group to make estimates on the blockage discount factor to be applied in selling its entire interests in the CGU and transaction costs involved. The carrying amount of goodwill at 31 December 2017 was RMB1,265,763,000 (2016: RMB311,769,000), net of accumulated impairment losses of RMB668,694,000 (2016: nil). Further details are given in note 21 to the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses and decelerated tax depreciation at 31 December 2017 were approximately RMB149,467,000 (2016: RMB298,724,000) and RMB1,151,816,000 (2016: nil), respectively. The amount of unrecognised tax losses at 31 December 2017 was approximately RMB1,481,719,000 (2016: RMB1,287,631,000). Further details are contained in note 37 to the consolidated financial statements.

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

Key sources of estimation uncertainty (Continued)

PRC Corporate Income Tax ("PRC CIT")

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

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, an impairment loss of approximately RMB4,828,763,000 (2016: nil) was recognised based on the impairment assessment performed by management with reference to valuations performed by an independent valuer. As at 31 December 2017, the carrying amount of property, plant and equipment is approximately RMB83,985,765,000 (2016: RMB86,658,456,000), net of accumulated impairment of approximately RMB4,828,763,000 (2016: nil).

Impairment of a loan receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of the loan receivable is approximately RMB9,954,959,000 (2016: nil). No impairment loss has been recognised as at 31 December 2017.

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on 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 2017, the carrying amount of inventories was approximately RMB15,585,330,000 (2016: RMB17,143,324,000) as disclosed in note 23 to the consolidated financial statements.

Fair value of derivative components of convertible bonds

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amounts of derivative component of convertible bonds of approximately RMB991,660,000 (2016: nil) as at 31 December 2017 are set out in note 36.

5. REVENUE

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

	2017 RMB'000	2016 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**76,001,047**	53,848,144
– aluminum alloy ingots	**11,720,058**	5,089,082
– aluminum fabrication	**5,416,862**	2,412,793
Steam supply income	**174,685**	45,559
	93,312,652	61,395,578

6. SEGMENT INFORMATION

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

Geographic information

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

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

	Non-current assets	
	2017 RMB'000	2016 RMB'000
PRC	**84,598,199**	86,606,096
Indonesia	**5,670,065**	5,801,141
	90,268,264	92,407,237

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

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

	2017 RMB'000	2016 RMB'000
Customer A	**44,833,430**	27,632,747

7. OTHER INCOME AND GAINS

	2017 RMB'000	2016 RMB'000
Bank interest income	**54,004**	58,642
Other interest income	**16,411**	45,986
Loan receivables interest income	**544,082**	–
Gain from sales of raw materials	**1,296,325**	71,970
Gain from sales of scraps materials	**254,202**	184,062
Gain from sales of slag of carbon anode blocks	**958,709**	500,405
Gain from disposal of property, plant and equipment	**8,096**	–
Reversal of impairment of inventories	**51,235**	42,670
Investment gains from derivatives	**–**	18,070
Amortisation of deferred income (note 38)	**11,951**	456
Value-added tax ("VAT") income (note)	**40,066**	36,087
Foreign exchange gain, net	**529,161**	–
Rental income	**5,011**	–
Others	**175,934**	60,874
	3,945,187	1,019,222

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

8. OTHER EXPENSES

	2017 RMB'000	2016 RMB'000
Impairment loss recognised in respect of property, plant and equipment (Note)	**4,828,763**	–
Impairment loss recognised in respect of goodwill	**668,694**	–
Write-down of inventories to net realisable value (Note)	**149,836**	12,792
Impairment loss recognised in respect of other receivables	**22,519**	563
Impairment loss recognised in respect of trade receivables	**7,133**	6,708
	5,676,945	20,063

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

8. OTHER EXPENSES (Continued)

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

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based predominantly on value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using zero growth rate until the end of the expected useful lives of relevant plants and machineries. Other key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses. Management determined these key assumptions based on past performance and their expectations on market development. Further, the Group adopts a pre-tax rate of ranging from 12.7% to 14.0% (2016: nil) that reflects specific risks related to the CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of the CGUs within operating segments.

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

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

9. FINANCE COSTS

	2017 **RMB'000**	2016 RMB'000
Interest expenses on bank borrowings	**1,109,411**	1,018,423
Interest expenses on other borrowings	**–**	9,482
Interest expenses on short-term debentures and notes	**421,355**	594,715
Interest expenses on medium-term debentures and bonds	**2,304,152**	1,522,945
Interest expenses on guaranteed notes	**256,952**	360,667
Interest expenses on convertible bonds	**22,140**	–
	4,114,010	3,506,232
Less: amounts capitalised under construction in progress	**(33,897)**	(160,336)
	4,080,113	3,345,896

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 4.38% (2016: 4.59%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSES

	2017 RMB'000	2016 RMB'000
Current tax:		
– PRC Enterprise Income Tax	**3,123,194**	2,949,785
(Over) under provision in prior year		
– PRC Enterprise Income Tax	**(2,298)**	3,700
Deferred taxation (note 37)	**(1,335,726)**	(4,818)
Total income tax expenses for the year	**1,785,170**	2,948,667

No tax is payable on the profit arising in Hong Kong for the year ended 31 December 2017 since the assessable profit is wholly absorbed by tax losses brought forward. No provision for Hong Kong Profits Tax was made for the year ended 31 December 2016 as there were no assessable profits generated during that year.

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

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

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax. The PRC dividend withholding tax rate was change from 5% to 10% due to the applicability of the Sino-Hong Kong tax treaty during the year ended 31 December 2015. An amount of deferred tax liability of approximately RMB91,588,000 (2016: RMB143,151,000) is released in respect of the PRC subsidiaries' undistributed profits.

10. INCOME TAX EXPENSES (Continued)

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	**7,092,002**	9,764,337
Tax at the statutory tax rate of 25%	**1,773,001**	2,441,084
Tax effect of income not taxable for tax purpose	**(66,593)**	–
Tax effect of expenses not deductible for tax purpose	**256,100**	85,971
Tax effect of tax losses not recognised	**197,752**	265,600
Utilisation of tax losses previously not recognised	**(153,204)**	(4,336)
(Over) Under-provision in respect of prior years	**(2,298)**	3,700
Effect of different tax rates of subsidiaries operating in other jurisdiction	**1,356**	28,898
Effect of entity not subject to income tax	**45,921**	(1,300)
Tax effect of share of profits of associates	**(92,997)**	(32,253)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**(91,588)**	143,151
Tax effect of a tax facility granted by government	**(82,280)**	–
Others	**–**	18,152
Income tax expenses for the year	**1,785,170**	2,948,667

Details of the deferred taxation are set out in note 37.

11. PROFIT FOR THE YEAR

	2017 RMB'000	2016 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 12)	**4,854**	4,671
Salaries and allowances (excluding directors' and chief executive's emoluments)	**3,554,360**	3,417,468
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**153,431**	122,910
Total staff costs	**3,712,645**	3,545,049
Auditor's remuneration	**4,200**	4,000
Amortisation of prepaid lease payments	**85,538**	53,038
Amortisation of intangible assets	**998**	–
Cost of inventories recognised as an expense	**77,735,293**	46,691,077
Depreciation of property, plant and equipment	**7,774,952**	5,596,906
Depreciation of investment properties	**5,541**	–
Investment loss on derivatives	**19,427**	–
Foreign exchange losses, net	**–**	778,954
Loss on disposal of property, plant and equipment	**–**	8,918

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 11 (2016: 8) directors and the chief executive were as follows:

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

1 Appointed on 11 December 2017

2 Appointed on 11 December 2017 and resigned on 2 February 2018

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

	Executive directors			Non-executive directors		Independent non-executive directors			
	Zhang Shiping ("Mr Zhang") RMB'000	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Xing Jian RMB'000	Chen Yinghai RMB'000	Han Benwen RMB'000	Total RMB'000
For the year ended 31 December 2016									
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings									
Fees	1,500	500	800	600	300	200	200	200	4,300
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings									
Other emoluments									
– Salaries and allowances	97	74	95	89	–	–	–	–	355
– Retirement benefit scheme contributions	–	–	8	8	–	–	–	–	16
	1,597	574	903	697	300	200	200	200	4,671

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2017 and 2016.

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

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

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2017 and 2016.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2016: five) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2016: nil) individuals were as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other benefits	**4,332**	–
Retirement benefits scheme contributions	**47**	–
	4,379	–

Their emoluments were within the following bands:

	No. of employee	
	2017	2016
HK$1,000,001 to HK$1,500,000 (approximately RMB866,867 to RMB1,300,300)	**1**	–
HK$1,500,001 to HK$2,000,000 (approximately RMB1,300,301 to RMB1,733,733)	**1**	–
HK$2,000,001 to HK$2,500,000 (approximately RMB1,733,734 to RMB2,167,167)	**1**	–
	3	–

14. DIVIDENDS

	2017 RMB'000	2016 RMB'000
Dividends recognised as distribution during the year:		
2016 final dividends – HK27 cents per share	**1,840,322**	–
2016 special dividends – HK20 cents per share	**1,363,201**	–
2015 final dividends – HK15 cents per share	**–**	930,705
	3,203,523	930,705

Subsequent to the end of the reporting period, a final dividend of HK20 cents in respect of the year ended 31 December 2017 per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

During the current year, a final dividend of HK27 cents per share in respect of the year ended 31 December 2016 (2016: HK15 cents per share) has been proposed by the directors of the Company and is approved by the shareholders in the general meeting. Subsequent to the end of the reporting period, the final dividend of HK$2,175,630,000 (equivalent to approximately RMB1,840,322,000) based on 8,057,888,193 shares was paid on 29 January 2018.

14. DIVIDENDS (Continued)

During the current year, a special dividend of HK20 cents per share in respect of the year ended 31 December 2016 (2016: nil) has been proposed by the directors of the Company and is approved by the shareholders in the general meeting. Subsequent to the end of the reporting period, the special dividend of HK$1,611,578,000 (equivalent to approximately RMB1,363,201,000) based on 8,057,888,193 shares was paid on 29 January 2018.

During the year ended 31 December 2016, a final dividend of HK$1,082,597,000 (equivalent to approximately RMB930,705,000), at HK15 cents per share in respect of the year ended 31 December 2015 was proposed by the directors of the Company and approved by the shareholders in the annual general meeting and paid to the owners of the Company.

No interim dividend was paid or proposed during the year ended 31 December 2017 (2016: nil).

15. EARNINGS PER SHARE

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

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**5,118,566**	6,849,829
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**22,140**	–
Changes in fair values of derivatives component of convertible bonds	**18,231**	–
Exchange gain on translation of liability component of convertible bonds	**(24,068)**	–
Earnings for the purpose of diluted earnings per share	**5,134,869**	6,849,829

	2017 '000	2016 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share		
Weighted average number of ordinary shares in issue during the year	**7,343,286**	7,142,521
Bonus element of rights issue	**–**	3,022
	7,343,286	7,145,543
Effect of dilutive potential ordinary shares:		
Convertible bonds	**28,571**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,371,857**	7,145,543

Diluted earnings per share for the year ended 31 December 2016 was the same as basic earnings per share as there were no potential ordinary shares outstanding during that year or as at 31 December 2016.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2016	19,685,226	47,804,117	27,254	54,937	15,402,971	82,974,505
Additions	209,691	632,149	26,457	3,290	20,263,817	21,135,404
Acquired on acquisition of subsidiaries (note 43)	2,286,407	1,663,136	3,075	–	932,098	4,884,716
Transfer	12,574,613	15,830,453	3,645	7,413	(28,416,124)	–
Disposals	(659)	(34,270)	–	–	–	(34,929)
Return to supplier	–	–	–	–	(3,955,477)	(3,955,477)
Disposal of a subsidiary	–	(2,104)	–	–	(2,277)	(4,381)
Exchange realignment	902	3,352	473	550	304,264	309,541
At 31 December 2016 and 1 January 2017	34,756,180	65,896,833	60,904	66,190	4,529,272	105,309,379
Additions	107	141,313	13,846	12,531	9,906,271	10,074,068
Acquired on acquisition of subsidiaries (note 43)	54,965	135,840	583	554	–	191,942
Transfer	2,096,620	6,121,934	–	–	(8,218,554)	–
Disposals	–	(669,588)	–	(75)	–	(669,663)
Exchange realignment	(230,447)	(70,828)	(3,270)	(438)	(16,538)	(321,521)
At 31 December 2017	36,677,425	71,555,504	72,063	78,762	6,200,451	114,584,205
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2016	2,302,202	10,736,139	9,803	21,125	–	13,069,269
Provided for the year	1,250,159	4,321,121	18,669	6,957	–	5,596,906
Eliminated on disposal	(115)	(15,961)	–	–	–	(16,076)
Eliminated on disposal of a subsidiary	–	(65)	–	–	–	(65)
Exchange realignment	94	594	122	79	–	889
At 31 December 2016 and 1 January 2017	3,552,340	15,041,828	28,594	28,161	–	18,650,923
Provided for the year	1,542,483	6,208,364	15,730	8,375	–	7,774,952
Impairment loss recognised	1,498,866	2,389,483	253	258	939,903	4,828,763
Eliminated on disposal	–	(636,128)	–	(52)	–	(636,180)
Exchange realignment	(12,728)	(6,487)	(645)	(158)	–	(20,018)
At 31 December 2017	6,580,961	22,997,060	43,932	36,584	939,903	30,598,440
CARRYING VALUES						
At 31 December 2017	30,096,464	48,558,444	28,131	42,178	5,260,548	83,985,765
At 31 December 2016	31,203,840	50,855,005	32,310	38,029	4,529,272	86,658,456

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

At 31 December 2017, certain of the Group's buildings with a net carrying amount of approximately RMB9,307,202,000 (2016: nil) were pledged to secure bank borrowings of the Group (note 32).

There are properties with a carrying amount of approximately RMB5,363,557,000 (2016: RMB3,351,666,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

17. INTANGIBLE ASSETS

	Patents RMB'000
COST	
At 1 January 2016, 31 December 2016 and 1 January 2017	**–**
Acquired on acquisition of subsidiaries (note 43)	**14,970**
At 31 December 2017	**14,970**
ACCUMULATED AMORTISATION	
At 1 January 2016, 31 December 2016 and 1 January 2017	**–**
Provided for the year	**998**
At 31 December 2017	**998**
CARRYING VALUES	
At 31 December 2017	**13,972**
At 31 December 2016	**–**

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

18. PREPAID LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**3,122,655**	1,776,364
Addition during the year	**586,909**	348,083
Acquired on acquisition of subsidiaries (note 43)	**270,348**	1,049,391
Amortisation during the year	**(85,538)**	(53,038)
Exchange realignment	**(1,685)**	1,855
Carrying amount at 31 December	**3,892,689**	3,122,655
Analysed for reporting purposes as:		
Current assets	**85,902**	56,152
Non-current assets	**3,806,787**	3,066,503
	3,892,689	3,122,655

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

There are prepaid lease payments with carrying amount of approximately RMB725,064,000 (2016: RMB426,536,000) located in the PRC which the Group is in the process of obtaining the property certificates.

19. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2016, 31 December 2016 and 1 January 2017	**–**
Acquired on acquisition of subsidiaries (note 43)	**156,472**
At 31 December 2017	**156,472**
ACCUMULATED DEPRECIATION	
At 1 January 2016, 31 December 2016 and 1 January 2017	**–**
Provided for the year	**5,541**
At 31 December 2017	**5,541**
CARRYING VALUES	
At 31 December 2017	**150,931**
At 31 December 2016	**–**

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

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

The fair value hierarchy as at 31 December 2017 of the investment properties of the Group are at Level 3. There were no transfers between fair value hierarchies during the year.

19. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties as at 31 December 2017 were determined (in particular, the valuation techniques and inputs used):

Alignment	Fair value hierarchy	Fair value as at 31 December 2017 RMB'000	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Investment properties	Level 3	156,472	Depreciated replacement cost ("DRC") approach, Key inputs: Market placement cost, assets residual ratio	Market Replacement cost per square metre/ per unit	Approximately RMB1,000 per square metre/ from approximately of RMB7,000 to RMB689,000 per unit	The higher the market replacement cost, the higher the fair value
				Assets residual ratio	From approximately 69% to 81%	The higher the assets residual ratio, the lower the fair value

20. INTERESTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Costs of investments in associates	**20,227**	20,308
Disposed during the year	**–**	(81)
Share of profits and other comprehensive income	**588,707**	161,722
Elimination of post-acquisition loss shared upon disposal	**–**	81
	608,934	182,030
Loans to associates	**716,394**	762,766
	1,325,328	944,796

The loans to associates are unsecured, interest-free and repayable on demand (2016: repaid within 2 years).

The Group's payable balances with the associates are disclosed in note 48 to the consolidated financial statements.

20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2017 and 2016, the Group had interests in the following material associates:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2017	2016	**2017**	2016	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP") (note)	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
中衡協力投資有限公司 ("Zhong Heng")	Established	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Inactive

Note: The Group disposed its 2.5% interest in both WAP and SMB at nil consideration during the year ended 31 December 2016. As the Group discontinued to recognise losses of both WAP and SMB in prior years, no gain/loss was resulted.

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

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

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

ABM

	2017 RMB'000	2016 RMB'000
Current assets	**3,598,218**	739,048
Current liabilities	**(1,304,501)**	(90,897)
Revenue	**6,183,627**	2,459,346
Profit for the year	**1,863,881**	556,552
Other comprehensive (expense) income for the year	**(155,641)**	28,924
Total comprehensive income for the year	**1,708,240**	585,476
Elimination of unrealised profits	**(93,825)**	(8,231)

20. INTERESTS IN ASSOCIATES (Continued)

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

	2017 RMB'000	2016 RMB'000
Net assets of the associate	**2,356,391**	648,151
Proportion of the Group's ownership interest in ABM	**25%**	25%
Carrying amount of the Group's interest in ABM	**589,098**	162,038

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

	2017 RMB'000	2016 RMB'000
The Group's share of loss and total comprehensive expense	**(156)**	(32)

	2017 RMB'000	2016 RMB'000
Carrying amount of the Group's interests in immaterial associates	**19,836**	19,992

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

	2017 RMB'000	2016 RMB'000
Unrecognised share of profits (losses) of associates for the year	**35,275**	(41,820)

	2017 RMB'000	2016 RMB'000
Accumulated unrecognised share of losses of associates	**23,186**	58,461

21. GOODWILL

	2017 RMB'000	2016 RMB'000
COST		
At beginning of the financial year	**311,769**	80,418
Acquired on acquisition of subsidiaries (note 43)	**1,622,688**	231,351
At the end of the financial year	**1,934,457**	311,769
ACCUMULATED IMPAIRMENT LOSSES		
At beginning of the financial year	**–**	–
Impairment loss recognised during the year	**668,694**	–
At the end of the financial year	**668,694**	–
CARRYING AMOUNT		
At 31 December	**1,265,763**	311,769

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

During the year ended 31 December 2017, the Group recognised an impairment loss of approximately RMB668,694,000 (2016: Nil) in relation to goodwill arising on acquisition of Hongchuang, resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang.

Impairment test on goodwill

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

	2017 RMB'000	2016 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Unit A)	**231,351**	231,351
Manufacture and selling of aluminum products in Binzhou, the PRC (Unit B)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**953,994**	–
	1,265,763	311,769

The basis of the recoverable amounts of the above cash-generating units and their major underlying assumptions are summarised below:

Unit A

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and pre-tax discount rate of 22.63% (2016: 14.04%). Unit A's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

21. GOODWILL (Continued)

Unit A (Continued)

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

Unit B

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and a pre-tax discount rate of 22.63% (2016: 14.7%). Unit B's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

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

Hongchuang

The recoverable amount of this CGU approximates to RMB1,336,469,000 (2016: nil) has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang, and a blockage discount factor of 4.04% (2016: nil) and relevant transaction costs.

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

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

22. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2017 **RMB'000**	2016 RMB'000
Unlisted investments:		
– equity securities	**6,000**	–

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

23. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	**6,844,106**	7,726,267
Work in progress	**7,510,528**	7,956,444
Finished goods	**1,230,696**	1,460,613
	15,585,330	17,143,324

As 31 December 2017, the carrying amounts of the Group's inventories were net of impairment provisions of approximately RMB149,836,000 (2016: RMB12,792,000).

During the year, inventories previously provided were sold at profit. As a result, a reversal of provision of approximately RMB51,235,000 (2016: RMB42,670,000) has been recognised and included in other income and gains in the current year.

24. TRADE RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**2,225,575**	370,022
Less: allowance for impairment losses	**(13,841)**	(6,708)
	2,211,734	363,314

The Group allows an average credit period of 90 days to its trade customers with trading history, or otherwise sales on cash terms are required. The following is an aged analysis of trade receivables presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period.

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

	2017 RMB'000	2016 RMB'000
Within 3 months	**2,142,452**	355,508
3-12 months	**68,663**	7,806
12-24 months	**618**	–
24-36 months	**1**	–
	2,211,734	363,314

24. TRADE RECEIVABLES (Continued)

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

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately RMB69,282,000 (2016: RMB7,806,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and they are still considered as recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 90 days (2016: 180 days).

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

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**2,187,795**	355,508
Less than 1 month past due	**3,606**	1,428
More than 1 month but less than 3 months past due	**20,333**	6,378
	2,211,734	363,314

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

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

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

Movement in the allowance for impairment for trade receivables:

	2017 RMB'000	2016 RMB'000
At 1 January	**6,708**	–
Impairment loss recognised	**7,133**	6,708
At 31 December	**13,841**	6,708

At 31 December 2017, the Group's trade receivables of approximately RMB13,841,000 (2016: RMB6,708,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that full amount of these receivables is unlikely to be recovered. Consequently full provision for these doubtful debts was recognised. The Group does not hold any collateral over these balances.

25. BILLS RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Bills receivables	**11,912,479**	9,721,942

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

	2017 **RMB'000**	2016 RMB'000
Within 3 months	**5,116,948**	5,080,553
3 to 6 months	**6,567,541**	4,632,489
Over 6 months	**227,990**	8,900
	11,912,479	9,721,942

TRANSFERS OF FINANCIAL ASSETS

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

	2017 **RMB'000**	2016 RMB'000
Bills receivable endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**11,772,983**	6,044,736
Carrying amount of trade payables	**(11,647,437)**	(1,029,079)
Carrying amount of other payables	**(125,546)**	(5,015,657)
Net position as at 31 December	**–**	–

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

26. PREPAYMENTS, LOAN AND OTHER RECEIVABLES

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

	2017 **RMB'000**	2016 RMB'000
Prepayments to suppliers	**527,893**	363,199
Value-added tax recoverable	**1,349,270**	2,443,685
CIT refundable	**81,656**	65,721
Receivables arising from dealing with futures	**268,996**	118,070
Interest receivables	**5,141**	64,587
Amounts due from related parties	**–**	23,364
Loan receivable (note ii)	**9,950,000**	–
Amount refundable from a supplier	**–**	3,955,477
Deposits paid for acquisition of a subsidiary (note i)	**–**	899,515
Other deposits	**–**	150,000
Others	**199,349**	159,487
	12,382,305	8,243,105
Less: allowance for impairment losses	**(23,080)**	(561)
	12,359,225	8,242,544

Notes:

(i) On 16 May 2016, Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao")（山東宏橋新型材料有限公司）entered into a Memorandum of Understanding ("MOU") with Mr. Yu Rongqiang ("Mr.Yu") in relation to the proposed acquisition of 261,096,605 shares ("Target Shares") of Hongchuang, representing approximately 28.18% equity interest of Hongchuang. Pursuant to the MOU, the consideration of this proposed acquisition shall be not more than RMB900,000,000 and such consideration shall be paid in full at the closing of the proposed acquisition. On 16 May 2016, Shandong Hongqiao paid the deposit in the amount of RMB500,000,000 to an account co-managed by the two parties. On 14 July 2016, Shandong Hongqiao paid remaining deposits in the amount of RMB400,000,000 to the same account co-managed by the two parties, and Mr. Yu's 254,710,000 shares of Hongchuang were pledged to Shandong Hongqiao on the same date. On 29 July 2016, the remaining 6,386,605 of the Target Shares were pledged to Shandong Hongqiao by Mr. Yu. These deposits are retained as payment of the consideration by Shandong Hongqiao for the proposed acquisition. The acquisition was subsequently completed on 21 April 2017.

(ii) On 10 February 2017, the Group entered into a loan facility agreement with a supplier of the Group, pursuant to which the Group agreed to provide a loan facility to the supplier of no more than RMB15,000,000,000. As at 31 December 2017, the outstanding principal and accrued interest amounted to approximately RMB9,954,959,000 (2016: nil). The loan receivable is unsecured, bears interest at 7% per annum and repayable one year from 17 February 2017, the drawdown date. The carrying amount of the loan receivable has been guaranteed by a related company of the Group, in which the director and controlling shareholder of the Company has significant non-controlling beneficial interest. Subsequent to the end of the reporting period, on 10 February 2018, the loan agreement was renewed and the repayment date was extended to 2 years from the drawdown date.

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

26. PREPAYMENTS, LOAN AND OTHER RECEIVABLES (Continued)

Movement in the allowance for impairment for other receivables:

	2017 RMB'000	2016 RMB'000
At 1 January	**561**	–
Impairment loss recognised	**22,519**	563
Exchange realignment	**–**	(2)
At 31 December	**23,080**	561

At 31 December 2017, the Group's other receivables of approximately RMB23,080,000 (2016: RMB561,000) were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that full amount of these receivables is unlikely to be recovered. Consequently full provision for these doubtful debts was recognised. The Group does not hold any collateral over these balances.

27. OTHER FINANCIAL ASSETS (LIABILITIES)

	Current		Non-current	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Other derivatives				
Interest rate swap	**–**	–	**–**	11,123
Foreign currency swap	**57**	4,516	**–**	3,508
Capped forward	**–**	8,531	**–**	–
Futures	**–**	(1,691)	**–**	–
	57	11,356	**–**	14,631

	2017 RMB'000	2016 RMB'000
Amounts shown under non-current assets	**–**	14,631
Amounts shown under current assets	**57**	13,047
Amounts shown under current liabilities	**–**	(1,691)

27. OTHER FINANCIAL ASSETS (LIABILITIES) (Continued)

Year ended 31 December 2017

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

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

Year ended 31 December 2016

Major terms of the interest rate swaps are as follows:

Notional amount	Maturity	Swaps
US Dollars ("US$") 8,000,000 to US$20,000,000	24 June 2019	From 0.85% per annum to 1-Month USD-LIBOR-BBA
US$40,000,000 to US$100,000,000	24 June 2019	From 0.79% per annum to 1-Month USD-LIBOR-BBA
US$20,000,000	24 June 2019	From 0.86% per annum to USD 1-Month LIBOR

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

Notional amount	Maturity	Exchange rate
Sell RMB52,640,000	28 April 2017	RMB6.58:US$1
Sell RMB65,800,000	28 July 2017	RMB6.58:US$1
Sell RMB65,200,000	27 April 2018	RMB6.52:US$1
Sell RMB65,800,000	3 May 2018	RMB6.58:US$1

Major terms of the capped forward contracts are as follows:

Notional amount	Maturity	Exchange rate
Receive RMB3,000,000/ Right to sell RMB135,400,000 Sell RMB135,400,000	28 June 2017	Above RMB6.92:US$1/ Between 6.77 and 6.92/ Below RMB6.92:US$1
Receive RMB8,000,000/ Right to sell RMB130,500,000/ Sell RMB130,500,000	7 April 2017	Above RMB6.925:US$1/ Between 6.525 and 6.925/ Below RMB6.525:US$1

Major terms of the futures contracts are as follows:

Commodities	Price range	Maturity date
Buy Aluminum	RMB12,830 to RMB13,170 per tonne	February 2017 to May 2017

28. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2017 RMB'000	2016 RMB'000
Cash and bank balances	**21,931,132**	12,830,212
Time deposits	**1,257,025**	408,976
	23,188,157	13,239,188
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,000,000)**	–
– pledged for issuance of letter of credit	**(230,025)**	(265,976)
– pledged for guarantee issued	**(27,000)**	(128,000)
– other restricted bank balances (note 50)	**(5,564)**	(2,832)
Cash and cash equivalents	**21,925,568**	12,842,380

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

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

Bank balances and time deposits carry interest at market rates which range from 0.01% to 1.75% (2016: 0.01% to 3.0%) per annum.

As at 31 December 2017, bank balances of approximately RMB5,564,000 (2016: RMB2,832,000) were frozen by the Zhang Yuan Xian District Court. Details are set out in note 50.

Pledged time deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantee issued by the Group. The time deposits carry fixed interest rate from 1.5% to 1.75% (2016: 0.05% to 3.30%) per annum.

29. CHANGES IN FAIR VALUE OF DERIVATIVES

	2017 RMB'000	2016 RMB'000
Change in fair value of derivatives arising from:		
– other financial assets (note 27)	**(1,666)**	25,987
– derivatives component of convertible bonds (note 36)	**(18,231)**	–
	(19,897)	25,987

30. TRADE AND BILLS PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables to third parties	**13,787,489**	7,395,478
Trade payables to an associate	**272,611**	110,908
	14,060,100	7,506,386
Bills payables	**2,000,000**	–
	16,060,100	7,506,386

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

	2017 RMB'000	2016 RMB'000
Within 6 months	**13,894,747**	7,462,550
6-12 months	**122,227**	31,927
1-2 years	**37,417**	7,541
More than 2 years	**5,709**	4,368
	14,060,100	7,506,386

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

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

31. OTHER PAYABLES AND ACCRUALS

	2017 RMB'000	2016 RMB'000
Payables on property, plant and equipment	**6,099,707**	6,151,945
Retention payables	**2,944,324**	2,832,619
Accrued payroll and welfare	**384,692**	454,188
Advances from customers	**710,110**	781,768
Dividend payables (note 14)	**3,165,766**	–
Other taxes payables	**1,032,312**	751,569
Interest payable	**1,521,194**	1,442,886
Others	**485,366**	188,301
	16,343,471	12,603,276

32. BANK BORROWINGS

	2017 RMB'000	2016 RMB'000
Current		
Secured bank borrowings	**763,677**	–
Unsecured bank borrowings	**8,765,471**	9,528,947
Unsecured syndicated loans	**–**	4,781,996
	9,529,148	14,310,943
Non-current		
Secured bank borrowings	**8,152,406**	–
Unsecured bank borrowings (note i)	**2,356,712**	4,696,770
	10,509,118	4,696,770
	20,038,266	19,007,713

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

	2017 RMB'000	2016 RMB'000
Within one year	**9,529,148**	14,310,943
In the second year	**2,704,632**	3,529,985
In the third to fifth years, inclusive	**7,804,486**	1,166,785
	20,038,266	19,007,713

32. BANK BORROWINGS (Continued)

	2017 RMB'000	2016 RMB'000
Carrying amount of bank borrowings that are not repayable on demand or within one year from the end of the reporting period but repayable according to a revised repayment schedule due to breach of loan covenants (note ii)	**–**	4,781,996
Carrying amount of bank borrowings that repayable within one year	**9,529,148**	9,528,947
Amounts shown under current liabilities	**9,529,148**	14,310,943
Amounts shown under non-current liabilities	**10,509,118**	4,696,770
	20,038,266	19,007,713

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

	2017 RMB'000	2016 RMB'000
Fixed-rate borrowings:		
On demand		
Within one year	**4,249,961**	1,813,745

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

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

	2017	2016
Effective interest rate:		
Fixed-rate borrowings	**3.15% to 6.09%**	2.00% to 4.35%
Variable-rate borrowings	**3.90% to 6.09%**	1.14% to 5.89%

32. BANK BORROWINGS (Continued)

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

	2017 **RMB'000**	2016 RMB'000
US$	**6,316,266**	10,932,384

Notes:

(i) Bank borrowings of approximately RMB499,000,000 (2016: RMB450,000,000) are guaranteed by a related party was set out in note 48(c) to the consolidated financial statements.

(ii) In 2017, in respect of a syndicated loan with a carrying amount of RMB4,781,996,000 as at 31 December 2016, the Group breached certain of the terms of the syndicated loan, which are primarily related to the annual reporting requirements of the Group, which requires the Group to provide its 2016 annual audited accounts 120 days from the end of the reporting period.

On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the loan with the relevant bankers. The Group has successfully obtained extension of the reporting requirements to 180 days and 242 days from the end of the reporting period on 12 April 2017 and 30 June 2017 respectively. However, up to the date of issue of 2016 annual report, the Group was unable to obtain further extension of the reporting requirements, which implies that the syndicated loan have to be fully repaid by the end of 31 December 2017. According to the revised repayment schedule, the Group has to repay 10% of the outstanding sum monthly in July and August 2017 and 20% monthly from September 2017 to December 2017.

As a result, the entire syndicated loan was classified as current liabilities on the consolidated statement of financial position as at 31 December 2016 and fully repaid during the year ended 31 December 2017.

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

	2017 **RMB'000**	2016 RMB'000
Floating rate		
– expiring within one year	**1,010,807**	350,000

(iii) Secured borrowings of the Group are by the Group's property, plant and equipment (note 16).

33. SHORT-TERM DEBENTURES AND NOTES

	2017 **RMB'000**	2016 RMB'000
Short-term debentures and notes	**3,000,000**	11,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2016 and 2017 are set out as follows:

Debentures	**Date of issue**	**Principal amount** RMB'000	**Interest rate**	**Date of maturity**
Short-term debentures	11 April 2016	1,000,000	3.95%	7 January 2017
Short-term debentures	12 April 2016	1,000,000	3.95%	9 January 2017
Short-term debentures	14 January 2016	1,000,000	3.36%	18 January 2017
Short-term debentures	18 January 2016	1,000,000	3.42%	19 January 2017
Short-term debentures	1 June 2016	1,000,000	4.24%	27 February 2017
Short-term debentures	7 June 2016	1,000,000	4.10%	5 March 2017
Short-term debentures	1 September 2016	1,000,000	3.05%	2 September 2017
Short-term debentures	8 September 2016	1,000,000	3.00%	12 September 2017
Short-term debentures	19 September 2016	1,000,000	3.07%	21 September 2017
Short-term debentures	15 November 2016	1,000,000	3.48%	17 November 2017
Short-term debentures	24 November 2016	1,000,000	3.52%	22 August 2017
Short-term debentures	3 January 2017	1,000,000	4.42%	5 January 2018
Short-term debentures	16 February 2017	1,000,000	4.46%	17 February 2018
Short-term debentures	22 February 2017	1,000,000	4.50%	23 February 2018

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

34. MEDIUM-TERM DEBENTURES AND BONDS

	2017 **RMB'000**	2016 RMB'000
Medium-term debentures and bonds – due within one year	**7,196,185**	731,664
Medium-term debentures and bonds – due after one year	**36,271,871**	39,720,060
	43,468,056	40,451,724

34. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2016 and 2017 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Nominal interest rate	Effective interest rate	Date of maturity
Unlisted					
Medium-term debentures A	25 January 2013	1,500,000	6.30%	6.67%	25 January 2018
Medium-term debentures B	10 April 2013	1,500,000	5.80%	6.12%	10 April 2018
Medium-term debentures C	22 April 2015	1,500,000	5.60%	5.94%	22 April 2018
Medium-term debentures D	9 May 2013	1,500,000	6.00%	6.32%	9 May 2018
Medium-term debentures E	14 May 2015	1,200,000	5.20%	5.54%	14 May 2018
Medium-term debentures F	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures G	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Medium-term debentures H	25 October 2016	1,000,000	3.87%	4.21%	16 October 2021
Medium-term debentures I	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures J	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures K	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures L	17 January 2017	1,000,000	5.20%	5.55%	19 January 2022
Listed					
Enterprise bonds A	3 March 2014	1,200,000	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,100,000	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	1,000,000	5.26%	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	2,000,000	4.10%	4.33%	14 January 2021
Enterprise bonds E	14 January 2016	1,000,000	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	1,800,000	4.50%	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,200,000	4.04%	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	4.27%	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	500,000	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	2,000,000	4.20%	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023
Private placement enterprise bond A	2 June 2016	3,000,000	6.05%	6.50%	2 June 2019
Private placement enterprise bond B	15 July 2015	3,000,000	6.48%	6.75%	15 July 2021

34. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Debentures A, B, C, D, E, F, G, H, I, J, K and L were issued to various independent third parties according to the approvals issued by NAFMII and enterprise bonds A, B and C were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange while enterprise bond D, E, F, G, H, I, J, K, private placement enterprise bond A and B were issued under the approval of China Securities Regulatory Commission.

According to the terms and conditions of private placement enterprise bonds A, the interest rate is 6.05% per annum for 2 years, up to 2 June 2018. At the end of the second year, on 2 June 2018, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of-300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year.

According to the terms and conditions of private placement enterprise bonds B, the interest rate is 6.48% per annum for 3 years, up to 14 July 2019. At the end of the third year, on 14 July 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of-300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year.

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

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

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

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 4.10% per annum for the 3 years, up to 14 January 2019. At the end of the third year, on 14 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds E is 4.88% per annum for the five years, up to 14 January 2021, with no right to redeem the bonds or adjust the interest rate.

34. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 4.50% per annum for the 3 years, up to 27 January 2019. At the end of the third year, on 27 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds G, the interest rate of the enterprise bonds is 4.04% per annum for the 3 years, up to 24 February 2019. At the end of the third year, on 24 February 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

Enterprise bonds H and I are different categories of the same tranche, the interest rate of the enterprise bonds H is 4.27% per annum for the 3 years, up to 10 March 2019. At the end of the third year, on 10 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds I is 4.83% per annum for the five years, up to 10 March 2021, with no right to redeem the bonds or adjust the interest rate.

According to the terms and conditions of enterprise bonds J, the interest rate of the enterprise bonds is 4.20% per annum for the 3 years, up to 22 March 2019. At the end of the third year, on 22 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds K, the interest rate of the enterprise bonds is 4.00% per annum for the 5 years, up to 17 October 2021. At the end of the fifth year, on 17 October 2021, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

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

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

	2017 **RMB'000**	2016 RMB'000
Within one year	**7,196,185**	731,664
In the second to fifth year	**28,535,271**	30,930,159
Over five years	**7,736,600**	8,789,901
	43,468,056	40,451,724

35. GUARANTEED NOTES

	2017 RMB'000	2016 RMB'000
Current liabilities	**1,957,399**	2,768,436
Non-current liabilities	**–**	2,070,436
	1,957,399	4,838,872

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

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

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

Notes:

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

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

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

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

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

On 26 June 2017, the Company has redeemed the 2017 Guaranteed Notes in full at their principal amount together with interest accrued to the maturity date.

35. GUARANTEED NOTES (Continued)

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

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

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

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

Notes:

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

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

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

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

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

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

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

36. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds ("CBs") bearing interest of 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US$320,000,000. The CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.16 per share with fixed exchange rate of HK$7.8212 equal to US$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the date that is three years from 28 November 2017, redeem the outstanding CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component is 21.817% per annum.

The movements of the liability and derivatives components of the CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of CBs RMB'000	**Derivatives component of CBs** RMB'000	**Total** RMB'000
As at 1 January 2016, 31 December 2016 and 1 January 2017	–	–	–
Issued during the year	1,118,528	994,560	2,113,088
Transaction costs	(11,685)	–	(11,685)
Changes in fair values	–	18,231	18,231
Effective interest expenses	22,140	–	22,140
Interest paid	(9,690)	–	(9,690)
Exchange translation	(24,068)	(21,131)	(45,199)
At 31 December 2017	**1,095,225**	**991,660**	**2,086,885**

No CBs were converted into ordinary shares of the Company during the year ended 31 December 2017. No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the year ended 31 December 2017. As at 31 December 2017, the principal amount of the CBs that remained outstanding amounted to US$320,000,000 of which a maximum of 306,713,725 shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017 and 28 November 2017.

36. CONVERTIBLE BONDS (Continued)

At the date of issuance of the CBs and at 31 December 2017, the fair values of the derivatives component was valued by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the Binomial model. The transaction cost attributable to the derivatives component of convertible bonds of approximately RMB10,390,000 was recognised in the consolidated statement of profit or loss. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	At 31 December 2017	(Date of issue) At 28 November 2017
Share price	**HK$8.75**	HK$8.81
Conversion price	**HK$8.16**	HK$8.16
Expected volatility	**48.07%**	47.82%
Expected life	**4.91 years**	5.00 years
Risk free rate	**2.20%**	2.06%
Expected dividend yield	**3.09%**	3.06%

37. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), before set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**1,784,856**	557,322
Deferred tax liabilities	**(505,125)**	(578,097)
	1,279,731	(20,775)

37. DEFERRED TAXATION (Continued)

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

	Decelerated tax depreciation	Excess of accounting depreciation over tax depreciation	Tax losses	Income tax facility	Undistributed profits of PRC subsidiaries	Unrealised profit on intra-group sales	Deferred income	Provisions	Fair value change of derivative financial instruments	Fair value increase on non-current assets arising from business combination	Estimated liabilities for employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	–	16,428	110,800	–	(90,698)	104,232	13,123	10,668	–	(75,127)	325	89,751
Acquisition of subsidiaries	–	–	163,003	–	–	–	–	–	–	(278,347)	–	(115,344)
(Charged) credited to profit or loss	–	(16,427)	24,921	–	(143,151)	117,870	17,063	(5,653)	423	9,226	546	4,818
At 31 December 2016 and 1 January 2017	–	1	298,724	–	(233,849)	222,102	30,186	5,015	423	(344,248)	871	(20,775)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	(35,220)	–	(35,220)
Credited (charged) to profit or loss	1,151,816	(1)	(149,257)	82,280	91,588	73,391	39,514	30,214	(423)	16,604	–	1,335,726
At 31 December 2017	**1,151,816**	**-**	**149,467**	**82,280**	**(142,261)**	**295,493**	**69,700**	**35,229**	**-**	**(362,864)**	**871**	**1,279,731**

At the end of the reporting period, the Group has unused tax losses of approximately RMB2,079,587,000 (2016: RMB2,482,527,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB597,868,000 (2016: RMB1,194,896,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB1,481,719,000 (2016: RMB1,287,631,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,175,198,000 (2016: RMB1,027,862,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB306,521,000 (2016: RMB259,769,000) may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB34,543,020,000 (2016: RMB28,201,112,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

38. DEFERRED INCOME

	2017 **RMB'000**	2016 RMB'000
Government grants		
– Current liabilities	**15,321**	6,106
– Non-current liabilities	**263,479**	114,668
	278,800	120,774

As at 31 December 2017, the Group received government subsidies of approximately RMB169,977,000 (2016: RMB121,200,000) towards certain environment protection and construction projects. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of the relevant assets. This policy has resulted in a credit to income in the current period of approximately RMB11,951,000 (2016: RMB456,000). As at 31 December 2017, balances of approximately RMB278,800,000 (2016: RMB120,774,000) remain to be amortised.

39. ISSUED CAPITAL

	Number of shares		**Share Capital**	
	2017	2016	**2017** **US$**	2016 US$
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	2017	2016	**2017** **US$**	2016 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**8,057,888,193**	7,259,766,023	**80,578,882**	72,597,660

	Number of shares		**Share Capital**	
	2017	2016	**2017** **RMB'000**	2016 RMB'000
Issued and fully paid:				
At beginning of the financial year	**7,259,766,023**	6,368,215,810	**474,057**	415,834
Issued of new shares (note (a))	**–**	891,550,213	**–**	58,223
Issue of shares upon share subscription (note (b))	**806,640,670**	–	**53,454**	–
Shares repurchased and cancelled	**(8,518,500)**	–	**(545)**	–
At the end of the financial year	**8,057,888,193**	7,259,766,023	**526,966**	474,057

39. ISSUED CAPITAL (Continued)

Notes:

(a) On 18 February 2016, the Company completed the rights issue of 891,550,213 rights shares at the subscription price of HK$4.31 per rights share on the basis of 7 rights shares for every 50 shares held on the record date.

(b) On 24 November 2017, 806,640,670 ordinary shares of US$0.01 each were issued and allotted at a price of HK$6.8 per share, raising a total proceeds of approximately RMB4,667,964,000, net of share issue expense of approximately RMB1,440,000.

The Company does not have any share option scheme.

All shares issued rank pari passu in all respects with all shares then in issue.

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

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$
8 December 2017	1,845,000	8.20	7.90	14,851,295
11 December 2017	1,973,500	8.45	8.17	16,366,810
12 December 2017	700,000	8.45	8.38	5,882,735
15 December 2017	4,000,000	9.10	8.80	35,882,330

The above shares were all cancelled on 22 December 2017.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

40. RESERVES

(a) Capital reserve

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

(b) Statutory surplus reserve

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

40. RESERVES (Continued)

(c) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

41. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 32, 33, 34, 35 and 36, to the financial statements, and cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 39 to the financial statements, share premium and reserves in the consolidated statement of financial position.

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

42. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 **RMB'000**	2016 RMB'000
Financial assets		
Financial assets at FVTPL	**57**	27,678
Available-for-sale investments	**6,000**	–
Loans and receivables (including cash and cash equivalents)	**47,712,776**	28,694,383
Financial liabilities		
Financial liabilities at FVTPL	**–**	1,691
Derivatives component of convertible bonds	**991,660**	–
Other financial liabilities at amortised cost	**100,220,095**	93,874,634

42. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, loan and other receivables, restricted bank deposits, cash and cash equivalents, other financial assets, trade and bills payables, other payables and accruals, other financial liabilities, bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and liability component of convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Market risk

(i) Currency risk

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

	Assets		Liabilities	
	2017 **RMB'000**	2016 RMB'000	**2017** **RMB'000**	2016 RMB'000
United States Dollar ("US$")	**1,264,644**	2,280,035	**10,360,550**	16,194,497
Hong Kong Dollar ("HK$")	**24,151**	32,705	**–**	273,257
IDR	**73,926**	397,781	**–**	69,667

Sensitivity analysis

The Group is mainly exposed to US$, HK$ and IDR.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2016: 5%) against the relevant currency. For a 5% (2016: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

42. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

	2017 RMB'000	2016 RMB'000
Effect on post-tax profit:		
US$ (note 1)	**365,531**	567,949
HK$ (note 2)	**(1,008)**	10,043
IDR (note 3)	**(2,772)**	(55,628)

Notes:

1. This is mainly attributable to the exposure outstanding on US$ of cash and cash equivalents, trade receivables, prepayments and other receivables, trade and other payables, bank borrowings and guaranteed notes at year end.

2. This is mainly attributable to the exposure outstanding on HK$ of cash and cash equivalents, prepayments and other receivables, trade and other payables at year end.

3. This is mainly attributable to the exposure outstanding on IRD of cash and cash equivalents, prepayments and other receivables, trade and other payables at year end.

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

(ii) Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings, liability component of convertible bonds, short-term debentures and notes, medium-term debentures and bonds and guaranteed notes. The Group aims at keeping borrowings at fixed rates.

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

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

42. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk management (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period was outstanding for the whole year. A 25 basis points increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant:

	2017 **RMB'000**	2016 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(10,574)**	(10,699)
As a result of decrease in interest rate	**10,574**	10,699

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.

(d) Credit risk

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

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

The Group has concentration of credit risk as 19% (31 December 2016: 25%) and 48% (31 December 2016: 62%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

42. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk in respect of bank's acceptance bills receivable as the Group's largest bills receivable from bank represented 23% (2016: 10%) of the total bills receivable as at 31 December 2017. In addition, the Group's bills receivable from the top five major banks represented 46% (2016: 37%) of the total bills receivable as at 31 December 2017.

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

(e) Liquidity risk management

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

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

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

42. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017							
Fixed-rate bank borrowings	2,840,727	1,490,293	–	–	–	4,331,020	4,249,961
Floating-rate bank borrowings	2,649,255	2,809,104	2,845,205	6,898,760	2,406,047	17,608,371	15,788,305
Short-term debentures and notes	3,013,128	–	–	–	–	3,013,128	3,000,000
Medium-term debentures and bonds	8,201,970	905,940	4,691,691	28,627,804	8,048,745	50,476,150	43,468,056
Trade and bills payables	16,060,100	–	–	–	–	16,060,100	16,060,100
Other payables	14,601,049	–	–	–	–	14,601,049	14,601,049
Guaranteed notes	2,007,956	–	–	–	–	2,007,956	1,957,399
Convertible bonds	52,393	53,261	105,654	2,420,209	–	2,631,517	1,095,225
	49,426,578	5,258,598	7,642,550	37,946,773	10,454,792	110,729,291	100,220,095
Derivatives – gross settlement							
Currency swaps							
– inflow	65,342	–	–	–	–	–	N/A
– outflow	(65,527)	–	–	–	–	–	N/A
	(185)	–	–	–	–	–	57

42. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2016							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	999,327	870,961	–	–	–	1,870,288	1,813,745
Floating-rate bank borrowings	3,180,326	10,175,165	3,728,400	949,433	355,143	18,388,467	17,193,968
Short-term debentures and notes	6,230,200	5,161,200	–	–	–	11,391,400	11,000,000
Medium-term debentures and bonds	1,221,560	837,450	9,259,010	29,279,330	9,164,600	49,761,950	40,451,724
Trade and bills payables	7,506,386	–	–	–	–	7,506,386	7,506,386
Other payables	10,615,751	–	–	–	–	10,615,751	10,615,751
Guaranteed notes	2,946,460	69,252	2,150,352	–	–	5,166,064	4,838,872
	32,700,010	17,114,028	15,137,762	30,228,763	9,519,743	104,700,306	93,420,446
Derivatives – net settlement							
Interest rate swaps	954	2,168	6,291	1,864	–	11,277	11,123
Capped forward	3,000	–	–	26,707	–	29,707	8,531
Futures	(1,691)	–	–	–	–	(1,691)	(1,691)
	2,263	2,168	6,291	28,571	–	39,293	17,963
Derivatives – gross settlement							
Currency swaps							
– inflow	55,496	69,370	138,740	–	–	263,606	N/A
– outflow	(54,069)	(67,101)	(132,467)	–	–	(253,637)	N/A
	1,427	2,269	6,273	–	–	9,969	8,024

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

Bank borrowing which breached a loan covenant and is repayable in accordance with a revised repayment schedule is included in the "6 to 12 months" time band in the above maturity analysis. As at 31 December 2016, the aggregate undiscounted principal amounts of these bank loans amounted to approximately RMB4,855,900,000. The corresponding aggregate interest amounts of the bank borrowing amounted to approximately RMB199,727,000.

42. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurements of financial instruments

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at FVTPL				
Derivative financial assets				
– Foreign currency swap contracts	**–**	**57**	**–**	**57**
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	**–**	**991,660**	**–**	**991,660**

	31 December 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL				
Derivative financial assets				
– Interest rate swap contracts	–	11,123	–	11,123
– Foreign currency swap contracts	–	8,024	–	8,024
– Capped forward contracts	–	8,531	–	8,531
Financial liabilities at FVTPL				
Derivative financial liabilities				
– Futures	–	1,691	–	1,691

There were no transfers between levels of fair value hierarchy in the current and prior years.

42. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		31/12/2017 RMB'000	31/12/2016 RMB'000	
Interest rate swap contracts	Level 2	**–**	11,123	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties
Foreign currency swap contracts	Level 2	**57**	8,024	Discounted cash flows – Based on forward exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties
Capped forward contracts	Level 2	**–**	8,531	Discounted cash flows – Based on forward exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties
Futures	Level 2	**–**	(1,691)	Discounted cash flows – Based on market prices of aluminum (from observable market prices at the end of the reporting period and contract futures prices, discounted at a rate that reflects the credit risk of various counterparties

42. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial instruments	Fair value hierarchy	Fair value as at 31/12/2017 RMB'000	Fair value as at 31/12/2016 RMB'000	Valuation technique and key inputs
Redemption option derivative of convertible bonds	Level 3	**80,880**	–	Binomial option pricing model; Key inputs: risk free rate of 2.20%, effective interest rate of 8.69% and volatility of 48.07%
Conversion option derivative of convertible bonds	Level 3	**910,780**	–	Binomial option pricing model; Key inputs: risk free rate of 2.20% and effective interest rate of 8.69% and volatility of 48.07%

Fair value measurements and valuation process

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

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

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, bills receivables, financial assets included in loans and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, bank borrowings – due within one year, short-term debentures and notes and guaranteed notes due within one year approximate to their carrying amounts largely due to the short term maturities of these instruments. Except as detailed in the following table, the directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

42. FINANCIAL INSTRUMENTS (Continued)

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

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

	31 December 2017		31 December 2016	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Listed				
Medium-term bonds due after one year	**28,847,057**	**29,247,217**	22,190,757	24,579,485
Unlisted				
Medium-term bonds due after one year	**7,424,814**	**7,259,213**	17,529,303	18,652,863
Guaranteed notes – due after one year	**–**	**–**	2,070,436	2,098,956
Bank borrowings – due after one year	**10,509,118**	**10,539,336**	4,696,770	4,678,081
Liability component of convertible bonds	**1,095,225**	**1,068,286**	–	–

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

	As at 31 December 2017			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	**29,247,217**	**–**	**–**	**29,247,217**
Medium-term bonds due after one year – unlisted	**–**	**7,259,213**	**–**	**7,259,213**
Bank borrowings – due after one year	**–**	**10,539,336**	**–**	**10,539,336**
Liability component of convertible bonds	**–**	**1,068,286**	**–**	**1,068,286**
	29,247,217	**18,866,835**	**–**	**48,114,052**

	As at 31 December 2016			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	24,579,485	–	–	24,579,485
Medium-term bonds due after one year – unlisted	–	18,652,863	–	18,652,863
Guaranteed notes	–	2,098,956	–	2,098,956
Bank borrowings – due after one year	–	4,678,081	–	4,678,081
	24,579,485	25,429,900	–	50,009,385

42. FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

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

43. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2017

(a) Hongchuang

On 21 April 2017, the Group acquired 28.18% of the equity interest in Hongchuang for a consideration of RMB1,999,618,000. Despite that the Group acquired only 28.18% of the equity interest of Hongchuang, the Group remains the sole substantial shareholder of Hongchuang. This acquisition has been accounted for using the acquisition method. Hongchuang is engaged in aluminum plate and strip manufacture business. Hongchuang was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration transferred	RMB'000
Cash	1,999,618

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

	RMB'000
Property, plant and equipment	191,942
Investment properties	156,472
Intangible assets	14,970
Prepaid lease payments	270,348
Available-for-sale investments	6,000
Cash and cash equivalents	531,908
Trade receivables	262,160
Prepayment and other receivables	12,568
Inventories	91,882
Trade payables	(56,558)
Other payables and accruals	(8,892)
Bank borrowings	(100,000)
Deferred tax liabilities	(35,220)
	1,337,580

Acquisition-related costs amounting to approximately RMB1,259,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The non-controlling interest (71.82%) in Hongchuang recognised at the acquisition date was measured by proportionate share of net assets acquired and amounted to approximately RMB960,650,000.

43. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2017 (Continued)

(a) Hongchuang (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	1,999,618
Non-controlling interests	960,650
Less: net assets acquired	(1,337,580)
Goodwill arising on acquisition	1,622,688

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

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

Net cash outflow on acquisition of Hongchuang:

	RMB'000
Cash consideration paid	1,999,618
Less: cash and cash equivalent balances acquired	(531,908)
Less: deposits paid (note 26)	(899,515)
Net cash outflow arising on acquisition	568,195

Included in the profit for the year is approximately a profit of approximately RMB19,678,000, attributable to the additional business generated by Hongchuang. Revenue for the year includes approximately RMB1,004,079,000 generated from Hongchuang.

Had the acquisition been completed on 1 January 2017, total revenue of the Group for the year would have been approximately RMB93,746,414,000 and profit for the year would have been approximately RMB5,326,585,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Hongchuang been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of property, plant and equipment and investment property and amortisation of intangible assets and prepaid lease payments acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

43. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2017 (Continued)

(a) Hongchuang (Continued)

On 17 April 2017, the Group and Hongchuang entered into a termination agreement, pursuant to which the Group terminate the share subscription agreement signed on 5 December 2016 in relation to the subscription of no more than 1,605,136,436 non-public A shares of Loften. In addition, Loften, Binzhou Hengwang and four independent individuals entered into a termination agreement in order to terminate the equity transfer agreement signed on 5 December 2016 in relation to acquisition of the entire equity interest in Shandong Innovative Metal Technology Company Limited, Further details are set out in the announcements of the Company dated 23 December 2016, 27 February 2017 and 31 March 2017.

For the year ended 31 December 2016

(b) Beihai Xinhe New Material Co. Ltd ("Beihai Xinhe")

On 30 June 2016, the Group acquired 100% of the unquoted share capital of Beihai Xinhe for consideration of RMB2,120,000,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB231,351,000. Beihai Xinhe is engaged in the manufacture and sales of alumina. Beihai Xinhe was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration transferred	RMB'000
Cash	2,120,000

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

	2016 RMB'000
Property, plant and equipment	4,881,216
Prepaid lease payments	1,049,391
Deferred tax assets	163,003
Cash and banks	3,477
Trade receivables	329,040
Bill receivable	619,750
Prepayment and other receivables	105,273
Inventories	366,499
Trade payables	(39,734)
Other payables	(769,240)
Amount due to the former shareholder (note)	(4,541,679)
Deferred tax liabilities	(278,347)
	1,888,649

Note: The Group paid the amount of RMB4,541,679,000 to the former shareholder on behalf of Beihai Xinhe during the year ended 31 December 2016.

Acquisition-related costs amounting to approximately RMB529,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

43. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2016 (Continued)

(b) Beihai Xinhe (Continued)

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	2,120,000
Less: net assets acquired	(1,888,649)
Goodwill arising on acquisition	231,351

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

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Beihai Xinhe

	RMB'000
Cash consideration paid	2,120,000
Less: cash and cash equivalent balances acquired	(3,477)
Net cash outflow arising on acquisition	2,116,523

Included in the profit for the year is approximately a loss of RMB464,919,000, attributable to the additional business generated by Beihai Xinhe. Revenue for the year includes approximately RMB12,934,000 generated from Beihai Xinhe.

Had the acquisition been completed on 1 January 2016, total revenue of the Group for the year would have been RMB61,397,329,000, and profit for the year would have been RMB6,606,653,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

44. DISPOSAL OF A SUBSIDIARY

On 3 October 2016, Shangdong Weiqiao, an indirect wholly-owned subsidiary of the Company, disposed of the entire issued share capital of Binzhou Weiqiao Environment Technology Co., Ltd. (濱州魏橋環保科技有限公司) ("Binzhou Weiqiao"), a company directly wholly-owned by Shangdong Weiqiao, to an independent third party at a cash consideration of RMB5,000,000. Binzhou Weiqiao was inactive during the year.

	RMB'000
Total cash consideration received	5,000
Analysis of assets and liabilities which control was lost:	
Property, plant and equipment	4,316
Cash and cash equivalents	1,881
Trade payables	(178)
Other payables and accruals	(5,580)
Net assets disposed of	439
Gain on disposal of subsidiaries	4,561
Net cash outflow arising on disposal:	
Cash consideration received	5,000
Less: cash and cash equivalents disposed of	(1,881)
	3,119

45. PLEDGE OF ASSETS

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

	2017 **RMB'000**	2016 RMB'000
Restricted bank deposits (note 28)	**1,257,025**	393,976
Property, plant and equipment (note 16)	**9,307,202**	–

46. OPERATING LEASES

The Group as lessee

	2017 RMB'000	2016 RMB'000
Minimum lease payments paid under operating leases for premises	**13,550**	10,577

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:

	2017 RMB'000	2016 RMB'000
Within one year	**5,741**	7,868
In the second to fifth year inclusive	**2,152**	7,942
	7,893	15,810

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

The Group as lessor

Rental income earned during the year was RMB5,011,000 (2016: nil). The property are expected to generate rental yields of 4.8% (2016: nil) on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 RMB'000	2016 RMB'000
Within one year	**8,654**	–
In the second to fifth year inclusive	**8,654**	–
	17,308	–

47. COMMITMENTS

	2017 RMB'000	2016 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment – Contracted for but not provided	**1,014,242**	3,307,392

48. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group has the following related parties transactions.

(a) During the reporting period, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
山東魏橋創業集團有限公司 Shandong Weiqiao Chuangye Group Company Limited ("Chuangye Group") (note i)	note ii
濱州魏橋科技工業園有限公司 ("Binzhou Industrial Park") (note i)	Controlled by Chuangye Group
重慶魏橋金融保理有限公司 Chongqing Weiqiao Financial Factoring Co., Ltd. ("Chongqing Weiqiao") (note i)	Controlled by Chuangye Group
山東銘宏紡織科技有限公司 Shandong Ming Hong Textile Technology Co., Ltd. ("Ming Hong Textile") (note i)	Controlled by Chuangye Group
沾化金沙供水有限公司 ("Jinsha Water Supply") (note i)	An associate of Chuangye Group
ABM	An associate of a wholly-owned subsidiary of the Company
WAP	An associate of a wholly-owned subsidiary of the Company
SMB	An associate of a wholly-owned subsidiary of the Company

Notes:

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

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

48. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

During the year, the Group entered into the following transactions with related parties:

	Notes	**2017 RMB'000**	2016 RMB'000
Purchases of water			
– Jinsha Water Supply	(b)	**29,679**	24,643
Purchases of bauxite			
– ABM	(a)	**2,796,270**	1,014,748
Sales of steam			
– Binzhou Industrial Park	(b)	**24,310**	26,709
– Ming Hong Textile	(b)	**1,961**	–
Loans to associates			
– WAP	(a)	**–**	227,760
– SMB	(a)	**–**	242,794
– ABM	(a)	**716,394**	–
Factoring of bills receivables			
– Chongqing Weiqiao	(a)	**–**	232,000
– Chongqing Weiqiao	(b)	**1,054,500**	–

Notes:

(a) The related party transactions in respect of (a) above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules.

(b) The related party transactions in respect of (b) above constitute connected transactions and the disclosures required by Chapter 14A of the Listing Rules are provided in the 'Report of the Directors' section to the annual report.

48. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The following balances were outstanding at the end of the reporting period:

	2017 RMB'000	2016 RMB'000
Loans to associates		
WAP	**–**	519,972
SMB	**–**	242,794
ABM	**716,394**	–
Trade payables		
ABM	**272,611**	110,908
Jinsha Water Supply	**1,197**	4,165

(b) Compensation of key management personnel

	2017 RMB'000	2016 RMB'000
Short term employee benefit	**6,875**	5,729
Retirement benefits scheme contributions	**65**	58
	6,940	5,787

Further details of the directors' and chief executive's emoluments are included in note 12 to the consolidated financial statements.

(c) Guarantees and security

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

	2017 RMB'000	2016 RMB'000
Chuangye Group	**499,000**	450,000

49. RETIREMENT BENEFIT SCHEME

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 December 2017, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB153,456,000 (2016: RMB122,926,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

50. LITIGATION

In prior years, a lawsuit was filed by a total of 115 engineering staff against Beihai Xinhe in respect of a dispute in the labor service fee between the 115 engineering staff and Beihai Xinhe. Beihai Xinhe had no direct relationship with those individuals but acted as the main contractor for a construction project. In 2016, Beihai Xinhe received a civil order issued by the Zhang Yuan Xian District Court (the "District Court"), which accepted the application by the 115 engineering staff for property attachment prior to lawsuit to freeze Beihai Xinhe's bank accounts in an aggregate amount of approximately RMB15,560,000. In connection with the lawsuit, five of Beihai Xinhe's bank accounts with an aggregate amount of approximately RMB5,564,000 (2016: RMB2,832,000) was frozen. As at the date of this report, the legal proceedings are in progress. No accrual has been recorded by the Group as at 31 December 2017 (2016: nil) based on the opinion provided by the PRC legal counsel acting on behalf of Beihai Xinhe.

51. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes					
	1 January 2017 RMB'000	Financing cash flows RMB'000	Acquisition of subsidiaries RMB'000	Finance costs incurred RMB'000	Transaction costs allocated to derivatives component of CBs RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2017 RMB'000
Bank borrowings	19,007,713	1,086,719	100,000	–	–	(156,166)	–	20,038,266
Liability component of CBs	–	1,106,843	–	12,450	–	(24,068)	–	1,095,225
Derivatives portion of CBs	–	984,170	–	–	10,390	(21,131)	18,231	991,660
Short-term debentures and notes	11,000,000	(8,015,864)	–	15,864	–	–	–	3,000,000
Medium-term debentures and bonds	40,451,724	2,998,481	–	17,851	–	–	–	43,468,056
Guaranteed notes	4,838,872	(2,877,945)	–	(3,528)	–	–	–	1,957,399
Interest payable	1,442,886	(3,993,065)	–	4,071,373	–	–	–	1,521,194
	76,741,195	(8,710,661)	100,000	4,114,010	10,390	(201,365)	18,231	72,071,800

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

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**270**	349
Investment in subsidiaries		**10,720,309**	10,446,021
Amount due from subsidiaries	(i)	**15,983,017**	14,810,574
Other financial assets		**–**	14,631
		26,703,596	25,271,575
Current assets			
Prepayment and other receivables		**4,495**	453,637
Amount due from subsidiaries	(i)	**424,723**	–
Other financial assets		**57**	6,211
Cash and cash equivalents		**118,334**	948,311
		547,609	1,408,159
Current liabilities			
Other payables		**3,211,614**	36,743
Amounts due to subsidiaries	(i)	**2,176,191**	3,058,165
Bank borrowings – due within one year		**196,026**	4,781,996
Guaranteed notes		**1,957,399**	2,768,436
		7,541,230	10,645,340
Net current liabilities		**(6,993,621)**	(9,237,181)
Total assets less current liabilities		**19,709,975**	16,034,394
Non-current liabilities			
Bank borrowings – due after one year		**2,356,713**	–
Convertible bonds		**1,095,225**	–
Derivative component of convertible bonds		**991,660**	–
Guaranteed notes		**–**	2,070,436
		4,443,598	2,070,436
Net assets		**15,266,377**	13,963,958
Capital and reserves			
Share capital		**526,966**	474,057
Reserves	(ii)	**14,739,411**	13,489,901
Total equity		**15,266,377**	13,963,958

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

Notes:

(i) The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand

(ii) Movement in reserves

	Share premium RMB'000	Share reserve* RMB'000	Retained earnings (accumulated losses) RMB'000	Total RMB'000
At 1 January 2016	7,241,883	3,193,854	678,429	11,114,166
Profit and total comprehensive income for the year	–	–	155,180	155,180
Shares issued	3,163,917	–	–	3,163,917
Shares issue expenses	(12,657)	–	–	(12,657)
Dividend recognised as distribution	–	–	(930,705)	(930,705)
At 31 December 2016 and 1 January 2017	**10,393,143**	**3,193,854**	**(97,096)**	**13,489,901**
Profit and total comprehensive income for the year	**–**	**–**	**(99,982)**	**(99,982)**
Shares issued	**4,615,950**	**–**	**–**	**4,615,950**
Shares issue expenses	**(1,440)**	**–**	**–**	**(1,440)**
Final 2016 dividend declared	**–**	**–**	**(1,840,322)**	**(1,840,322)**
Special 2016 dividend declared	**–**	**–**	**(1,363,201)**	**(1,363,201)**
Share repurchase and cancelled	**(61,495)**	**–**	**–**	**(61,495)**
At 31 December 2017	**14,946,158**	**3,193,854**	**(3,400,601)**	**14,739,411**

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

53. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2017 %	2016 %	2017 %	2016 %	2017 %	2016 %	
China Hongqiao Investment Limited	British Virgin Islands ("BVI")	Ordinary Shares	US$200	**100**	100	**-**	–	**100**	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK$10,100	**-**	–	**100**	100	**100**	100	Investment holding
PT Well	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	**61**	61	**-**	–	**61**	61	Manufacture and sale of alumina
Hongqiao International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	**-**	–	**100**	100	**100**	100	Trading of bauxite
Shandong Hongqiao	PRC	Ordinary Shares	US$1,533,120,000	**-**	–	**100**	100	**100**	100	Manufacture and sale of aluminum products
鄒平縣宏利熱電有限公司 Zouping Hongli Thermal Power Co., Ltd.* (note i)	PRC	Ordinary Shares	RMB1,817,065,373/ RMB3,700,000,000	**-**	–	**100**	100	**100**	100	Production and sale of electricity
鄒平縣宏茂新材料科技有限公司 Zhouping Hongmao New Material Technology Co., Ltd.* (note i)	PRC	Ordinary Shares	RMB1,500,000,000	**-**	–	**100**	100	**100**	100	Manufacture and sale of aluminum products
鄒平縣宏正新材料科技有限公司 Zhouping Hongzheng New Material Technology Co., Ltd.* (note i)	PRC	Ordinary Shares	RMB700,000,0000	**-**	–	**100**	100	**100**	100	Manufacture and sale of aluminum products
山東魏橋鋁電有限公司 Shandong Weiqiao Aluminum & Power Co., Ltd. ("Shangdong Weiqiao")*	PRC	Ordinary Shares	RMB13,000,000,000	**-**	–	**100**	100	**100**	100	Manufacture and sale of aluminum products
鄒平縣宏旭熱電有限公司 Zouping Hongxu Power Co., Ltd.* (note i)	PRC	Ordinary Shares	RMB8,200,000,000	**-**	–	**100**	100	**100**	100	Production and sale of electricity
鄒平縣匯聚新材料科技有限公司 Zouping Huiju New Material Technology Co., Ltd.* (note i)	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	**-**	–	**100**	100	**100**	100	Research and development, sale of bauxite, manufacture and sale of aluminum products

53. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company Directly 2017 %	Directly 2016 %	Indirectly 2017 %	Indirectly 2016 %	Proportion of voting power held by the Group 2017 %	2016 %	Principal activities
鄒平縣匯才新材料科技有限公司 Zouping Huicai New Material Technology Co., Ltd.* (note i)	PRC	Ordinary Shares	RMB3,700,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
鄒平縣匯盛新材料科技有限公司 Zouping Huisheng New Material Technology Co., Ltd. (note i)	PRC	Ordinary Shares	RMB5,900,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
鄒平縣匯茂新材料科技有限公司 Zouping Huimao New Mateiral Technology Co., Ltd. (note i)	PRC	Ordinary Shares	RMB5,500,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
惠民縣匯宏新材料有限公司 Huimin Huihong New Aluminum *	PRC	Ordinary Shares	RMB5,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zhanhua Huihong	PRC	Ordinary Shares	RMB3,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
陽信縣匯宏新材料有限公司 Yangxin Country New Aluminum Profiles Co., Ltd.*	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
濱州北海匯宏新材料有限公司 Binzhou Beihai New Aluminum Profiles Co., Ltd. *	PRC	Ordinary Shares	RMB3,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
濱州市宏諾新材料有限公司 (formerly known as 濱州市濱北新材料有限公司) (Binzhou Hongnuo New Material Co. Ltd. ("Binzhou Hongnuo") *	PRC	Ordinary Shares	RMB1,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
山東宏橋融資租賃有限公司 Shandong Hongqiao Financial Leasing Co., Ltd. ("Hongqiao Financial Leasing")*	PRC	Ordinary Shares	US$100,000,000/ US$200,000,000	-	–	100	100	100	100	Financial leasing

53. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company: Directly 2017 %	Directly 2016 %	Indirectly 2017 %	Indirectly 2016 %	Proportion of voting power held by the Group 2017 %	2016 %	Principal activities
山東宏帆實業有限公司 Shandong Hongfan Industrial Co., Ltd.*	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
濱州宏展鋁業科技有限公司 Binzhou Hongzhan Aluminum Technology Co., Ltd.*	PRC	Ordinary Shares	RMB200,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
鄒平宏發鋁業科技有限公司 Zouping Hongfa Aluminum Technology Co., Ltd.*	PRC	Ordinary Shares	RMB700,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
山東宏濱國際商貿有限公司 Shandong Hongbin-International Business Co., Ltd.*	PRC	Ordinary Shares	RMB30,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
濱州市北海信和新材料有限公司 (formerly known as 濱州北海新材料有限公司) Binzhou Municipal Beihai Xinhe New Material Co., Ltd.*	PRC	Ordinary Shares	RMB2,100,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Hongchuang* (notes i and ii)	PRC	Ordinary Shares	RMB926,400,000	-	–	28.18	–	28.18	–	Manufacture and sale of aluminum products

* For identification purpose only.

Notes:

i: New subsidiary acquired during the year

ii: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 28.18% equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

53. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The following subsidiaries had issued approximately RMB46,468,056,000 (2016: RMB51,451,724,000) of debt securities at the end of the year:

	Total and held by third parties	
	2017	2016
	RMB'000	RMB'000
Shandong Hongqiao	**28,777,053**	26,786,714
Shandong Weiqiao	**17,691,003**	24,665,010

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2017	2016
Sales of aluminum products	The PRC	**4**	1
Sales of scrap materials	The PRC	**1**	1
Capital investor	The PRC	**1**	1
Various trading business	The PRC	**1**	1
		7	4

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests	Proportion of voting rights held by non-controlling interests	Profit attributable to non-controlling interests	Accumulated non-controlling interests
				RMB'000	RMB'000
2017					
Hongchuang and its subsidiaries	PRC	71,82%	71.82%	14,133	974,783

53. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Hongchuang and its subsidiaries

	2017 **RMB'000**
Current assets	**816,858**
Non-current assets	**714,471**
Current liabilities	**(142,278)**
Non-current liabilities	**(31,793)**
Equity attributable to owners of the Company	**382,475**
Non-controlling interest	**974,783**
Revenue	**1,004,079**
Expenses	**(984,401)**
Profit for the year	**19,678**
Profit attributable to owners of the Company	**5,545**
Profit attributable to the non-controlling interest	**14,133**
Profit for the year	**19,678**
Other comprehensive income attributable to owners of the Company	**–**
Other comprehensive income attributable to the non-controlling interest	**–**
Other comprehensive income for the year	**–**
Total comprehensive income attributable to owners of the Company	**5,545**
Total comprehensive income attributable to the non-controlling interest	**14,133**
Total comprehensive income for the year	**19,678**
Net cash outflows from operating activities	**(85,874)**
Net cash inflows from investing activities	**329,536**
Net cash outflows from financing activities	**(163,035)**
Net cash inflows	**80,627**

54. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 January 2018, (i) the Company; (ii) Hongqiao Holdings; and (iii) UBS AG Hong Kong Branch, CMB International Capital Limited and CLSA Limited (collectively referred to as the "Placing Agents") entered into a placing and subscription agreement for a maximum of 650,000,000 ordinary shares owned by Hongqiao Holdings at a price of HK$9.6 per placing share.

The placing was completed on 18 January 2018 and 650,000,000 ordinary shares owned by Hongqiao Holdings were placed to 6 or more independent third parties, and confirmed by the Placing Agents, none of the placees has become a substantial shareholder of the Company. After completion of the placing, Hongqiao Holding remains as the controlling shareholder of the Company.

The top-up subscription was completed on 23 January 2018 and 650,000,000 ordinary shares have been allotted and issued to Hongqiao Holdings. After completion of the top-up subscription, Hongqiao Holding remains as the controlling shareholder of the Company.

(b) On 22 January 2018, Shandong Hongqiao, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Weiqiao Chuangye, for the purchase of 55% equity interest in Chongqing Weiqiao, at a cash consideration of RMB approximately RMB284,407,000. The consideration shall be paid by Shandong Hongqiao to Weiqiao Chuangye in cash within fifteen business days after the completion of the acquisition. Upon completion of the acquisition, Chongqing Weiqiao will become a non-wholly-owned subsidiary of the Company and the factoring agreement and transactions contemplated thereunder will cease to constitute continuing connected transactions of the Company under the Listing Rules.

As there is no reasonable basis in which the directors of the Company can estimate the provisional values of the assets and liabilities acquired, the consolidated assets and liabilities information of Weiqiao Chuangye as at the acquisition date are not disclosed in these consolidated financial statements.

(c) On 7 February 2018, as a result of the declaration of the dividends by the Company, the conversion price of convertible bonds will be adjusted from HK$8.16 per conversion share to HK$7.71 per conversion share with effect from 7 February 2018 (the "Adjustment"). Apart from the Adjustment, there is no change in the CB terms and conditions.

(d) On 5 February 2018, the Group completed an issuance of short-term debentures with a total face value of RMB1 billion at par value of RMB100.00 per unit which will mature in February 2019 for working capital needs. The fixed annual coupon interest rate of these debentures is 6.00%.

On 14 March 2018, the Group completed an issuance of short-term debentures with a total face value of RMB1 billion at par value of RMB100.00 per unit which will mature in March 2019 for working capital needs. The fixed annual coupon interest rate of these debentures is 6.25%.

On 22 March 2018, the Group completed an issuance of short-term debentures with a total face value of RMB1 billion at par value of RMB100.00 per unit which will mature in March 2019 for working capital needs. The fixed annual coupon interest rate of these debentures is 6.20%.

(e) On 2 March 2018, the Group completed an issuance of medium-term debentures with a total face value of RMB1 billion at par value of RMB100.00 per unit which will mature in March 2021 for working capital needs. The fixed annual coupon interest rate of these debentures is 7.50%.

55. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2016, the Group returned certain construction materials included in construction in progress under property, plant and equipment of approximately RMB3,955,477,000 to a supplier in which the amount will be used to offset against future purchase with that supplier.