2016 ANNUAL REPORT

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

Contents

Financial Highlights

(Prepared in accordance with the IFRS)

COMPARISON OF KEY FINANCIAL FIGURES

Results

	For the year ended 31 December (RMB'000)				
	2012	2013	2014	2015	**2016**
Revenue	24,804,742	29,404,462	36,085,800	44,109,934	**61,395,578**
Gross profit	8,003,448	8,142,802	9,296,468	9,028,404	**14,196,333**
Gross profit margin (%)	32.3	27.7	25.8	20.5	**23.1**
Profit before tax	7,400,553	7,379,395	7,327,733	5,335,953	**9,764,337**
Net profit attributable to owners of the Company	5,452,592	5,592,675	5,313,632	3,706,512	**6,849,829**
Net profit margin (%)	22.0	19.0	14.7	8.3	**11.1**
Basic earnings per share (RMB)	0.93	0.95	0.89	0.59	**0.96**

Assets and liabilities

	As at 31 December (RMB'000)				
	2012	2013	2014	2015	**2016**
Total assets	44,376,717	65,178,536	83,427,737	106,517,979	**142,521,467**
Equity	22,337,897	26,882,545	32,434,014	36,294,658	**45,688,302**
Total liabilities	22,038,820	38,295,991	50,993,723	70,223,321	**96,833,165**
Return on equity*note* (%)	26.8	22.7	17.9	10.7	**16.6**
Current ratio (%)	123	102	89	78	**98**
Accounts receivable turnover (days)	1	1	3	6	**4**
Inventory turnover (days)	55	114	145	122	**114**
Accounts payable turnover (days)	25	27	30	43	**51**

Note: Calculated based on average equity.

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Yang Congsen
Zhang Jinglei

INDEPENDENT NON-EXECUTIVE DIRECTORS

Xing Jian
Chen Yinghai
Han Benwen

CHIEF FINANCIAL OFFICER

Zhang Ruilian

COMPANY SECRETARY

Zhang Yuexia

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Zhang Bo
Zhang Yuexia

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LEGAL ADVISOR AS TO HONG KONG LAW

Luk & Partners
In Association with Morgan, Lewis & Bockius

INTERNATIONAL AUDITORS

SHINEWING (HK) CPA Limited

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 2016

7,259,766,023

INVESTOR RELATIONS AND MEDIA RELATIONS CONSULTANT

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FINANCIAL YEAR END

31 December

FINANCIAL CALENDER

Annual Results Announcement Date
27 October 2017

DATES OF ANNUAL GENERAL MEETING AND ADJOURNED MEETING

31 August 2017
8 December 2017

EXPECTED DATE OF FINAL DIVIDEND PAYMENT

9 February 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 consolidated annual results of the Company and its subsidiaries (collectively as the "Group") for the year ended 31 December 2016 (the "Year" or the "Year under Review").

PRECISE PLANNING AND WELL PREPARED FOR SMOOTH OPERATION

In 2016, the global political and economic landscapes were unpredictable while the financial markets continued to fluctuate. However, with the improved macro-risk preference in the global market and the upward trend in the major commodities markets, prices of non-ferrous metals rebounded from low levels recorded in recent years, especially the price of primary aluminum. The economic development in China remained stable with a Gross Domestic Product ("GDP") growth rate of approximately 6.7% in 2016. With the increased effort in promoting structural reforms, China's economic trend has obviously shifted into a L-shaped growth pattern. Driven by the implementation of the national supply-side reform policies, market pricing mechanisms, industry self-regulation and the increase in demand, the aluminum industry of China has progressively stepped out of the difficult period since the end of 2015 and moved towards a positive development stage.

During the Year under Review, China Hongqiao continued to adhere to its established development strategies for stable operation and further improvement, achieving breakthroughs in various aspects. The Group strengthened its industrial distribution, adopted strategies for procurement of raw materials from multiple-resource channels, further consolidated the global resource allocation strategy and maintained safety and stability of upstream material supply for the long term. The Group continued to increase the investment in green production technology innovation and effectively controlled the costs by virtue of scale advantages and reasonable resource allocation, enabling the Group to maintain its leading position among the industry.

RESULTS AND PERFORMANCE

As of 31 December 2016, the Group's aggregate designed annual production capacity of aluminum products was approximately 7,436,000 tons (31 December 2015: approximately 5,186,000 tons), representing an increase of approximately 43.4% as compared to the corresponding period of 2015.

During the Year under Review, the Group's revenue amounted to approximately RMB61,395,578,000, representing a year-on-year increase of approximately 39.2%; gross profit amounted to approximately RMB14,196,333,000, representing a year-on-year increase of approximately 57.2%; net profit attributable to shareholders of the Company amounted to approximately RMB6,849,829,000, representing a year-on-year increase of approximately 84.8%; basic earnings per share amounted to approximately RMB0.96 (2015: approximately RMB0.59 (restated)). The Board recommended the payment of a final dividend of HK27.0 cents per share for 2016 (2015: HK15.0 cents per share) and a special dividend of HK20.0 cents per share (2015: nil).

EMBARKING ON AN INNOVATIVE JOURNEY AND STRATEGICALLY POSITIONED TO SHOULDER RESPONSIBILITIES

During the Year under Review, with the economic strategy of "One Belt, One Road" implemented by the government, the major overseas projects of the Group endeavored to develop the local communities where the businesses are located while realising the commercial values. The Group successfully created a complete bauxite supply chain in Guinea, linking Africa and China, which not only ensures a stable source of upstream raw materials, but also contributes to the employment, medical welfare, tax revenue and infrastructures there. The Group's joint venture alumina production base project in Indonesia, with a designed annual capacity of one million ton has made great progress since its operation in the first half of 2016. The alumina production base has gradually released its capacity in full and has satisfied the needs for the Group's operation and production, and expanded the alumina customer base outside China while facilitating development of local alumina and power industry in Indonesia as well as creating job opportunities. Moreover, while maintaining a stable supply of bauxite in Australia, Brazil, India and Malaysia, the Group also developed procurement channels in Sierra Leone and Jamaica, which strengthened its raw materials network of "Integration of Upstream and Downstream Businesses" and "Global Integration".

As for "Integration of Aluminum and Electricity", the Group strictly implemented environment-friendly production models and strived for "green development". In recent years, the Group has constantly put resources in and completed reform of extra-low-emission for all power production facilities and as a result, all power production facilities have met the level higher than the required effluent standard for gas-fired generation units. Furthermore, the Group's installed capacity of the power plants further increased and the level of self-supplied power generation was stable, providing sufficient energy support for the business development of the Group. Notably, apart from the world leading 600kA aluminum production line which has been put into operation since 2015, the intelligent production technology of the Group has basically achieved unmanned operation. In view of the above accomplishments, the Group was awarded the "Pioneer in Energy Efficiency" by the National Development and Reform Commission of the People's Republic of China (the "PRC"), the Ministry of Industry and Information Technology of the PRC and General Administration of Quality Supervision, Inspection and Quarantine of the PRC in 2016, in recognition of the Group's achievements in energy saving and emission reduction.

During the Year under Review, the Group proactively shouldered the corporate social responsibilities contributing to the industry development. At the beginning of 2016, the Group participated in and advocated the establishment of the Antaike Aluminum Ingot-Spot Index. For more than a year since its launch, the new index has showcased fairness as a third party, reflected the market demand and supply situation and made the market order more standardised, providing strong support and guiding impact to the market price of primary aluminum. As one of the world's largest aluminum producer, China always plays an important role in the industry covering from production technology to consumer applications. The Group also took part in discussions regarding international aluminum industry development and proposed recommendations based on its own experiences, exhibiting the valuable Chinese perspective to the international aluminum industry.

LOOKING FORWARD TO A BRIGHT FUTURE

In 2017, uncertainties in the world economy will be more pronounced and the market trend of major commodities may also change accordingly. The economic development goal of China is clearly positioned, which is designed to continuously adjust the economic structure and intensify the supply side structural reform. The country will impose more stringent requirements on environment protection and technological standards, and also strengthen industry self-regulation. China's aluminum industry will hence develop in a healthy and orderly manner. With collaborative efforts of the government, the industry and enterprises, the supply-and-demand relationship in China will be more in line with the market. The Group believes that the strong momentum in demand on primary aluminum in 2016 will continue, especially in the sectors of construction, transportation, as well as electronics and power. In this regard, growth in investments in China's power grids will accelerate, and the country's automobile production will revive strongly, which forms another key growth driver in consumption of primary aluminum. Aluminum demands on consumer products will remain high while demand for aluminum used in electronic goods, food and pharmaceutical packaging will steadily increase.

The Group's industrial planning is at its final phase and stepping into a strategic developing stage for better quality. In addition to maintaining its existing advantages, the Group will identify acquisition opportunities for development of downstream businesses, so as to expand its supply chain and enrich its product range. The Group will further explore the market, strive for sustainable development, reduce costs and enhance efficiency as well as reasonably allocate resources, creating long-term values for shareholders.

APPRECIATION

On behalf of the Board, I would like to thank the Group's management team and all employees for their unrelenting efforts and dedication made in 2016, as well as to all the shareholders, investors and business partners for the support and trust.

Zhang Shiping
Chairman of the Board

27 October 2017

INDUSTRY REVIEW

During the Year, amidst the global perpetually-changing economic climate and improved macro-risk preferences, prices of major commodities recovered. The global aluminum price, in general, showed an upward trend with fluctuations, and gradually emerging from the low levels hit by the end of 2015. The aluminum price at the London Metal Exchange ("LME") increased from approximately US$1,480 per ton in January 2016 to approximately US$1,722 per ton at the end of December while the average three-month aluminum futures price decreased by approximately 4.6% from approximately US$1,682 per ton to approximately US$1,605 per ton as compared with last year, with the decline narrowed by approximately 6.5 percentage points. The overall domestic aluminum futures price trend was going up and its growth momentum was much higher than the market forecasts. At as the end of 2016, the spot price of Antaike aluminum ingots was RMB12,963 (including value-added tax, "VAT") per ton, representing an increase of approximately 16.5% from RMB11,130 (including VAT) per ton at the beginning of the year. During the Year, the price of Antaike aluminum ingots continued to show a rising trend in general, the annual average price of Antaike aluminum ingots was RMB12,558 per ton (including VAT).

The increasing trend of domestic aluminum prices was mainly due to various factors, including the drop in aluminum price to the second lowest seen in history by the end of 2015, the event of reduction in production capacity, which was the largest industrial campaign in recent years, and the flexible production conducted by aluminum product manufacturers in China, as well as the elimination of production processes which were obsolete and not environment-friendly. As for the market mechanism, the third-party-compiled Antaike Aluminum Ingot-Spot Index was adopted by major manufacturers in the industry in January 2016, which was independent and designed to effectively prevent speculation in the futures market. In addition, under the background of various national macro policies, overall prices of raw materials of major commodities rebounded and prices of raw materials used in the primary aluminum industry surged almost across the board. For instance, the per annum price growth of coal has increased over 100% and costs of domestic alumina, carbon and transportation also increased, which to a certain extent, supported the price level of futures.

During the Year under Review, production capacity of aluminum in the foreign market grew in 2016. According to data provided by Antaike, the global production volume of primary aluminum for 2016 amounted to approximately 59,500,000 tons, representing an increase of approximately 4.2% as compared with last year. In 2016, growth in the production volume of primary aluminum in China hit its lowest level since the beginning of the new millennium. However, driven by the increasing trend of aluminum price and the substantial improvement in operation of enterprises, the production volume of primary aluminum in China amounted to 32,650,000 tons for the year 2016, representing an increase of approximately 6.0% as compared with last year, the growth rate decreased by 3.4 percentage points. The domestic demand in China had a strong momentum, with solid growth in the consumption of primary aluminum especially in construction, transportation and electronics and power sectors, which in turn laid a sound foundation for the growth in domestic consumption of primary aluminum. In 2016, the consumption of primary aluminum in China was approximately 32,800,000 tons, representing an increase of approximately 8.2% as compared with last year.

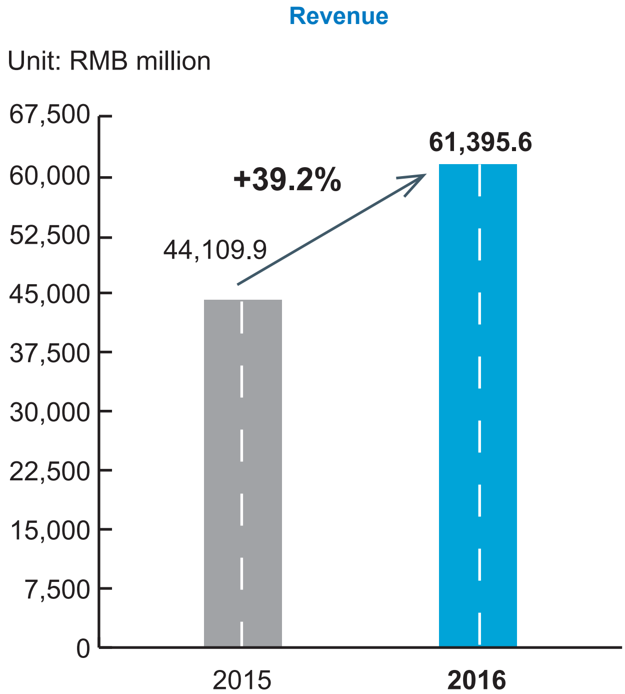
BUSINESS REVIEW

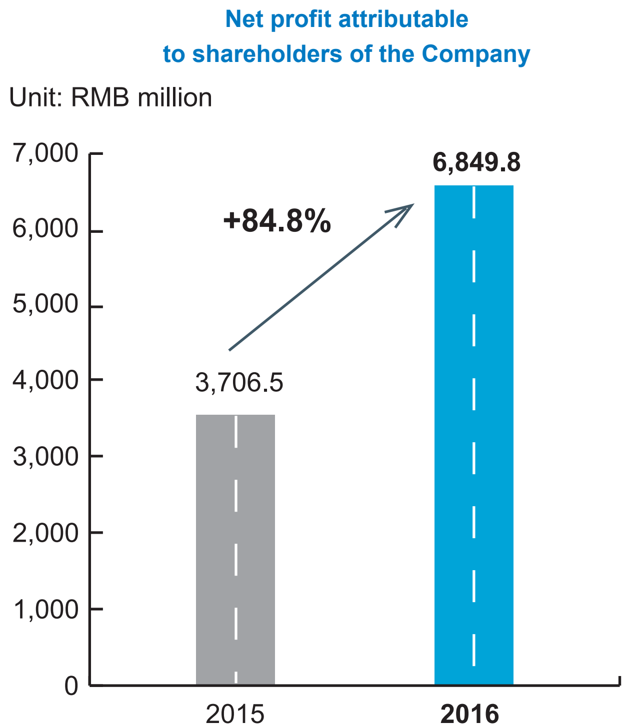
During the Year, the Group adhered to its strategies to strengthen its unique industry cluster model and further extended its production capacity and industrial chain, enhancing the cost advantage and core competitiveness to reinforce the Group's industrial leading position.

As of 31 December 2016, the Group's aggregate designed annual production capacity of aluminum products reached approximately 7,436,000 tons (31 December 2015: approximately 5,186,000 tons), representing a year-on-year increase of approximately 43.4%.

Driven by the increase in downstream market demand and the increase in the Group's production capacity, the Group's aggregate production volume of aluminum products in 2016 amounted to approximately 6,040,000 tons, representing a year-on-year increase of approximately 36.6%; the production volume of aluminum fabrication products reached approximately 299,000 tons, representing a year-on-year increase of approximately 52.3%.

The Group's revenue and net profit attributable to shareholders of the Company for the year ended 31 December 2016, with comparison figures for the year ended 31 December 2015, are as follows:





For the year ended 31 December 2016, the Group recorded revenue of approximately RMB61,395,578,000, representing a year-on-year growth of approximately 39.2%, mainly due to an increase in the Group's production and sales volume of aluminum products following a further increase in the Group's production capacity of aluminum products. During the Year, sales volume for the Group's aluminum products and aluminum fabrication products reached approximately 5,687,526 tons in total, representing an increase of approximately 32.8% as compared to approximately 4,281,847 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 4.8% from approximately RMB10,289 per ton (excluding VAT) in 2015 to approximately RMB10,787 per ton (excluding VAT) in the Year.

For the year ended 31 December 2016, net profit attributable to shareholders of the Company amounted to approximately RMB6,849,829,000, representing a year-on-year increase of approximately 84.8%. The profit increased due to the year-on-year increase in the production and sales volumes of the Group's aluminum products and, on the other hand, the increase in the average selling price of aluminum products for the year ended 31 December 2016 as compared with 2015, leading to the growth in gross profit and net profit of the Group's aluminum products.

The table below is a comparison of the breakdown of revenue by product for the years ended 31 December 2016 and 2015:

Revenue breakdown by product

	For the year ended 31 December			
	2016		2015	
Products	**Revenue RMB'000**	**Percentage of total revenue %**	Revenue RMB'000	Percentage of total revenue %
Molten aluminum alloy	**53,848,144**	**87.7**	40,291,596	91.4
Aluminum alloy ingots	**5,089,082**	**8.3**	1,731,393	3.9
Aluminum fabrication	**2,412,793**	**3.9**	2,031,011	4.6
Steam	**45,559**	**0.1**	55,934	0.1
Total	**61,395,578**	**100.0**	44,109,934	100.0

As for revenue, the Group's revenue derived from aluminum products was approximately RMB61,350,019,000, accounting for approximately 99.9% of the total revenue for the year ended 31 December 2016. Among which, the proportion of aluminum alloy ingots in the revenue increased due to the fact that the Group actively expanded its domestic aluminum alloy ingots market along with the increase in the Group's production volume, while satisfying the demand for molten aluminum within the aluminum industrial cluster where the Group's production base is located, resulting in an increase in the proportion of aluminum alloy ingots. Revenue derived from sale of steam was approximately RMB45,559,000, accounting for approximately 0.1% of the total revenue. The decrease in the revenue derived from sale of steam was mainly resulted from the increase of the Group's usage of steam during the process of production of major raw materials, thus steam available for sale to third parties decreased accordingly.

FINANCIAL REVIEW

Revenue, gross profit and gross profit margin

The table below is an analysis of the Group's revenue, gross profit and gross profit margin from its major products for the years ended 31 December 2016 and 2015:

	For the year ended 31 December					
	2016			2015		
Products	**Revenue RMB'000**	**Gross profit RMB'000**	**Gross profit margin %**	Revenue RMB'000	Gross profit RMB'000	Gross profit margin %
Aluminum products	**61,350,019**	**14,183,417**	**23.1**	44,054,000	9,000,990	20.4
Steam	**45,559**	**12,916**	**28.4**	55,934	27,414	49.0
Total	**61,395,578**	**14,196,333**	**23.1**	44,109,934	9,028,404	20.5

For the year ended 31 December 2016, the overall gross profit margin of the Group's products was approximately 23.1%, representing an increase of approximately 2.6 percentage points as compared to approximately 20.5% for the corresponding period of last year, mainly due to the increase of the unit selling prices of aluminum products during the Year as compared to the corresponding period of last year. The Group expects that with the gradual increase in the proportion of self-supplied alumina, there will be a positive effect on the Group's overall gross profit margin.

Distribution and selling expenses

For the year ended 31 December 2016, the Group's distribution and selling expenses amounted to approximately RMB164,269,000, increased approximately by 85.7% as compared to approximately RMB88,449,000 for the corresponding period of last year. This was mainly attributable to the increase in the sales of aluminum products and the increase in the average unit price of transportation.

Administrative expenses

For the year ended 31 December 2016, administrative expenses of the Group amounted to approximately RMB2,080,550,000, representing an increase of approximately 136.8% as compared to approximately RMB878,696,000 for the corresponding period of last year. Such increase was mainly due to the increase in staff remuneration and other expenses and the increase in fees as a result of the re-classification of exchange losses to administrative expense during the Year.

Finance costs

For the year ended 31 December 2016, finance costs of the Group were approximately RMB3,345,896,000, representing an increase of approximately 4.0% when compared to approximately RMB3,217,096,000 for the corresponding period of last year. This was mainly due to, on one hand, an increase in total interest bearing liabilities during the Year as compared to the corresponding period of last year which resulted in an increase in interest expenses charged to the Group, and on the other hand, the decrease in exchange losses included in finance costs during the Year as result of the classification of the amount incurred in exchange losses in 2016 into administrative expense.

Liquidity and capital resources

As at 31 December 2016, cash and cash equivalents of the Group amounted to approximately RMB12,842,380,000, representing an increase of approximately 51.3% as compared to approximately RMB8,488,534,000 as at 31 December 2015.

For the year ended 31 December 2016, the Group had net cash outflow from investing activities of approximately RMB29,248,825,000, net cash inflow from financing activities of approximately RMB20,589,010,000, and net cash inflow from operating activities of approximately RMB12,829,039,000.

For the year ended 31 December 2016, the capital expenditure of the Group amounted to approximately RMB20,830,387,000, mainly applied in the expansion of its aluminum production capacity and construction of ancillary captive power facilities and the alumina production base in Indonesia.

As at 31 December 2016, the Group had a capital commitment of approximately RMB3,307,392,000, which is capital expenditure for acquisition of properties, plant and equipment in the future primarily used for the production capacity expansion for aluminum products, and construction of ancillary captive power facilities and the alumina production base in Indonesia.

For the year ended 31 December 2016, the Group's average turnover days of trade receivables were approximately 4 days, representing a decrease of approximately 2 days as compared to approximately 6 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 in 2015, so that the Group's trade receivables turnover days decreased from the corresponding period of last year as those provisional credit periods were withdrawn before the end of 2016, still remained at a low level by industry standards.

For the year ended 31 December 2016, the Group's turnover days of inventory was approximately 114 days, representing a decrease of approximately 8 days as compared to approximately 122 days for the corresponding period of last year, which was mainly due to the stringent inventory management by the Group and the low cost of maintaining inventories for various items during the Year.

Contingent liability

As at 31 December 2016, the Group has no significant contingent liability.

Income tax

The Group's income tax for 2016 amounted to approximately RMB2,948,667,000, increased by approximately 77.8% as compared to approximately RMB1,657,994,000 (restated) for the corresponding period of last year, which was mainly attributable to the increase 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 RMB6,849,829,000 for the year ended 31 December 2016, representing an increase of approximately 84.8% as compared to approximately RMB3,706,512,000 (restated) for the corresponding period of last year.

Basic earnings per share of the Company in 2016 were approximately RMB0.96 (2015: approximately RMB0.59 (restated)).

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 2016, cash and cash equivalents of the Group amounted to approximately RMB12,842,380,000 (31 December 2015: approximately RMB8,488,534,000), which were mainly deposited with commercial banks.

As at 31 December 2016, the total liabilities of the Group amounted to approximately RMB96,833,165,000 (31 December 2015: approximately RMB70,223,321,000). Gearing ratio (total liabilities to total assets) was approximately 67.9% (31 December 2015: approximately 65.9%).

As at 31 December 2016, the total bank borrowings of the Group amounted to approximately RMB19,007,713,000. 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 2016, approximately 9.5% of the Group's bank borrowings were subject to fixed interest rates while the remaining of approximately 90.5% were subject to floating interest rates.

As at 31 December 2016, debts except bank borrowings of the Group consisted of RMB11,000,000,000 of short-term notes, approximately RMB40,451,724,000 of medium-term notes and bonds as well as approximately RMB4,838,872,000 of guaranteed notes with interest rates ranging from 3.00% to 8.69% per annum. The issuances of these notes and bonds helps to optimise 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 2016, approximately 38.3% of the Group's liabilities will become due within one year.

As at 31 December 2016, the current liabilities of the Group outstripped the current assets by approximately RMB873,623,000. 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 improve its cash flow position, so as to maintain the adequate liquidity of the Group's capital. Having considered the fact that the Group did not encounter any difficulty in renewal of the short-term bank borrowings of the Group upon maturity, the Board is of the view that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.

As at 31 December 2016, the Group's debts were mainly denominated in RMB and US Dollars, among which, RMB debts and US Dollar debts accounted for approximately 79.1% and approximately 20.9% of the total debts, respectively. Cash and cash equivalents were mainly held in RMB and US Dollars, among which, approximately 91.0% was held in RMB and approximately 8.7% was held in US Dollars.

Employee and remuneration policy

As at 31 December 2016, the Group had 60,537 employees in total, decreased by 4,539 employees as compared to the corresponding period of last year. The decrease was attributable to the Group's implementation of the elimination system of the least competent for optimising human resources and motivating employees. During the Year, the total staff costs amounted to approximately RMB3,504,971,000, accounting for approximately 5.7% 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 is providing 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 and 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 2016, the Group's bank balances denominated in foreign currencies were approximately RMB1,156,111,000, and liabilities denominated in foreign currencies were approximately RMB16,537,421,000. For the year ended 31 December 2016, the Group recognised foreign exchange loss of approximately RMB778,954,000.

The Group utilised financial instrument, 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 2016. As at 31 December 2016, the financial assets derived from the above contracts were approximately RMB27,678,000.

EVENTS AFTER THE PERIOD

Share Placing Agreement and CB Placing Agreement

On 15 August 2017 (after trading hours), the Company entered into the Share Placing Agreement with CTI Capital Management Limited (the "Share Subscriber"), being an independent third party, pursuant to which the Share Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 806,640,670 Placing Shares at the Placing Price of HK$6.80 per Placing Share. Further details are set out in the announcement of the Company dated 15 August 2017.

On 15 August 2017 (after trading hours), the Company entered into the CB Subscription Agreement with CNCB (Hong Kong) Investment Limited (the "Purchaser") and CNCB (Hong Kong) Capital Limited (the "Lead Manager"), both being independent third parties, pursuant to which the Company has agreed to issue and the Lead Manager has conditionally agreed to procure the Purchaser to subscribe and pay for the Convertible Bonds on a best efforts basis. The Convertible Bonds will be issued with an initial principal amount of US$320,000,000. Further details are set out in the announcement of the Company dated 15 August 2017.

Resumption of Trading in the Shares

Reference is made to the announcement of the Company dated 14 June 2017, in relation to the conditions (the "Resumption Conditions") for the resumption of trading in the shares imposed by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Company. The Company has taken appropriate measures to fulfill all the Resumption Conditions, and trading in the shares of the Company on the Stock Exchange has resumed with effect from 9:00 a.m. on 30 October 2017. For details on the fulfillment of Resumption Conditions by the Company, please refer to the announcement of the Company dated 27 October 2017 headed "Fulfillment of All Resumption Conditions and Resumption of Trading".

Other Matters

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 Projects in Electrolytic Aluminum Industry (《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.

Up to the date of this report, in response to the relevant governmental regulations, decisions and action plans in Chinese aluminum industry, Shandong Hongqiao, an indirect wholly-owned subsidiary of the Company, has shut down projects with annual production capacity of approximately 2,680,000 tonnes of aluminum products. Up to the date of this report, the total production capacity being shut down represented approximately 29% of the Group's total production capacity of aluminum products. Further details are set out in the announcement of the Company dated 15 August 2017.

The Company has recently noted that the Office of Shandong Province Binzhou Municipal People's Government* (山東省濱州市人民政府辦公室) issued the Notice Regarding Issuing the Implementation Plan of Peak Production for Industrial Enterprises for 2017-2018 of Binzhou Municipal* (《關於印發濱州市2017-2018年工業企業錯峰生產實施方案的通知》) (the "Notice"). Under the Notice, electrolytic aluminum plants in Binzhou City were required to cut production by more than 30% (based on the number of electrolytic tanks) from 15 November 2017 to 15 March 2018 in an attempt to reduce pollution in the coming winter months in the PRC.

The Group will implement the requirements stated in the Notice, and expects the reduction in the aluminum production to be approximately 4% of the annual total production amount for the year 2017 and an approximately further 8% of the annual total production amount for the year 2018 (assuming the production capacity of the Group remains unchanged). However, with the gradually increasing application of the aluminum products in areas including the light-weighting of automobile, high speed rail and aerospace, the consumption amount of aluminum products is expected to continuously increase, which will lead to an increase of the demand for the products in the Chinese aluminum industry. This will lead to a further increase in the price of aluminum, and will have a positive effect on the cash flow of the Group, which will contribute to enhancing the Group's profitability.

In the meantime, the management of the Company will proactively seek various measures, including communications 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 the Notice. As at the date of this report, the Company notes that certain local governments have issued the relevant policy decisions regarding "differential treatment" of industrial enterprises, giving production priority to environmentally-friendly enterprises while placing limitations on high-polluting units, which constitute an environmentally-friendly differential regulatory mechanism. This further strengthens the policy guidance to compel enterprises to take the initiative to implement environmentally-friendly reforms, thereby accelerating their transformation towards a green development model. As at the date of this report, the production and operation and financial conditions of the Group remained normal.

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 of the PRC and foreign exchange policies, 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 anagement 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 in order to ensure compliance with the applicable environmental laws, regulations and standards, monitoring the latest development in the environmental-related laws, regulations and standards in the PRC in order to ensure the internal environmental protection guidelines and polices of the Group are appropriate, monitoring the compliance with the applicable environmental laws, regulations and standards by 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, liaising with the governmental environment protection authorities in the PRC as and when required and formulating contingency plan for any environmental-related emergency and handling such emergency.

During the power generation process, a power plant discharges sewage, emits air pollutants, such as sulphur dioxide, and produces noise. The Group has installed dedusting and desulphurisation 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 required approvals from 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. In recent years, 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 industrial waste. The Group recycles and reuses aluminum scraps generated during the production process. 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"). The operation of the Group have to in compliance with laws and regulations of China and Hong Kong. During the year ended 31 December 2016 and until the date of this report, the Group has complied with all the laws and regulations in China and Hong Kong in all material respects.

RELATIONSHIPS WITH KEY STAKEHOLDERS

(i) 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.

(ii) 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 select the Group's 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 require suppliers to comply with our anti-bribery policies.

(iii) **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' office to contact with customers and so as to keep contact with them. We have also established sales and marketing teams covering Shangdong 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 to a Bright Future" in Chairman's Statement on page 8 of this annual report.

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	70	Chairman and executive Director
ZHENG Shuliang	71	Vice chairman and executive Director
ZHANG Bo	48	Chief executive officer and executive Director
YANG Congsen	47	Non-executive Director
ZHANG Jinglei	41	Non-executive Director
XING Jian	68	Independent non-executive Director
CHEN Yinghai	57	Independent non-executive Director
HAN Benwen	66	Independent non-executive Director

Executive Directors

Mr. Zhang Shiping (張士平), aged 70, 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 eleven 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 China Hongqiao Holdings Limited (中國宏橋控股有限公司) ("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 deputy to 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 ten 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 eighteen 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 People's Congress of Shandong Province, vice president of China Non-ferrous Metals Industry Association since March 2015 and vice-chairman of the International Aluminium Institute since November 2016. He was selected by the State Council as "National Model Worker" in 2010. Mr. Zhang Shiping is his father and Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 47, 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 sixteen 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 securities 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 57, 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 66, 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.

SENIOR MANAGEMENT

Ms. Zhang Ruilian (張瑞蓮), aged 40, is the vice president and the chief financial officer of our Company. She joined our Group in June 2006 and has over sixteen years of accounting experience. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She held the positions of the manager of audit department of Chuangye Group from December 2005 to June 2006. She is currently the manager of accounting department (since June 2006) and the director (since December 2014) of Weiqiao Alumina & Power, the manager of accounting department of Shandong Hongqiao and a director of Hongqiao Trading since April 2012.

Mr. Deng Wenqiang (鄧文強), aged 45, 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. He was elected as the representative of the 15th People's Congress of Zouping County and the 9th 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 fifteen 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 2016.

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 2016 and the financial position of the Group as at 31 December 2016 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 HK27.0 cents per share for the year ended 31 December 2016. The proposed final dividend, subject to the approval of the shareholders at the 2016 annual general meeting (including the adjourned annual general meeting), will be paid on 9 February 2018 to the shareholders whose names appear on the register of members of the Company on 6 February 2018.

The Board also proposed the payment of a special dividend of HK20.0 cents per share. The proposed special dividend, subject to the approval of the shareholders at the 2016 annual general meeting (including the adjourned annual general meeting), will be paid on 9 February 2018 to the shareholders whose names appear on the register of members of the Company on 6 February 2018.

CLOSURE OF REGISTER OF MEMBERS

The share register of the Company will be closed from Monday, 4 December 2017 to Friday, 8 December 2017 (both days inclusive), during which no transfer of shares will be effected. In order to be entitled to attend the 2016 annual general meeting (including the adjourned 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 Friday, 1 December 2017. 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 Wednesday, 31 January 2018 to Tuesday, 6 February 2018 (both days inclusive), during which no transfer of shares will be effected. In order to qualify for the final dividend and the special dividend, all completed share transfer forms accompanying with the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, not later than 4:30 p.m. on Tuesday, 30 January 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 2012, 2013, 2014 and from the audited consolidated financial statements of the Group for the years ended 31 December 2015 and 2016 on pages 50 to 52 in this annual report, is set out below:

Results

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	24,804,742	29,404,462	36,085,800	44,109,934	**61,395,578**
Cost of sales	(16,801,294)	(21,261,660)	(26,789,332)	(35,081,530)	**(47,199,245)**
Gross profit	8,003,448	8,142,802	9,296,468	9,028,404	**14,196,333**
Other income and gains	422,439	988,158	739,020	744,676	**1,019,222**
Selling and distribution expense	(58,667)	(60,128)	(94,520)	(88,449)	**(164,269)**
Administrative expenses	(306,068)	(440,171)	(610,884)	(878,696)	**(2,080,550)**
Other expenses	(20,121)	(55,662)	(79,940)	(42,670)	**(20,063)**
Finance costs	(642,731)	(1,359,200)	(1,905,377)	(3,217,096)	**(3,345,896)**
Changes in the fair value of derivative	2,253	163,596	(17,034)	(209,932)	**25,987**
Share of loss of associates	–	–	–	(284)	**129,012**
Disposal of equity in subsidiaries	–	–	–	–	**4,561**
Profit before tax	7,400,553	7,379,395	7,327,733	5,335,953	**9,764,337**
Income tax expense	(1,947,961)	(1,792,946)	(2,026,366)	(1,657,994)	**(2,948,667)**
Profit for the year	5,452,592	5,586,449	5,301,367	3,677,959	**6,815,670**
Profit for the year attributable to:					
Owners of the parent	5,452,592	5,592,675	5,313,632	3,706,512	**6,849,829**
Non-controlling interests	–	(6,226)	(12,265)	(28,553)	**(34,159)**

Assets and liabilities

	As at 31 December				
	2012	2013	2014	2015	**2016**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total assets	44,376,717	65,178,536	83,427,737	106,517,979	**142,521,467**
Total liabilities	22,038,820	38,295,991	50,993,723	70,223,321	**96,833,165**

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in Note 17 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group as at 31 December 2016 are set out in Notes 29, 30, 31 and 32 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 2016 and as at that date are set out in Note 35 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 2016 and as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2016 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

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 2016 and up to the date of this 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), 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.

(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 26 June 2014, the Company issued 7.625% senior notes due 2017 in the aggregate principal amount of US$400,000,000. Such senior notes matured on 26 June 2017. The Company has redeemed the notes due in full at their principal amount together with interest accrued to the Maturity Date. For relevant details, please refer to the announcements of the Company dated 16 June 2014, 20 June 2014, 30 June 2014 and 27 June 2017, respectively.

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.

RESERVES

Details of changes in the reserves of the Group during the year ended 31 December 2016 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserve available for distribution to shareholders comprises the retained profits and special reserve of totally RMB3,096,758,000 (31 December 2015: RMB 3,872,283,000). With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account which can be authorised for this purpose in accordance with the Companies Law of Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2016, sales to the Group's five largest customers accounted for 64.2% of the Group's total sales for the year ended 31 December 2016, and sales to its largest customer accounted for 45.0% of the Group's total sales for the year ended 31 December 2016.

During the year ended 31 December 2016, purchases from the Group's five largest suppliers accounted for 35.1% of the Group's total purchases for the year ended 31 December 2016, and purchases from the Group's largest supplier accounted for 24.4% of the Group's total purchases for the year ended 31 December 2016.

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 2016 annual general meeting of the Company has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

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

Executive Directors:

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

Non-Executive Directors:

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-Executive Directors:

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

DIRECTORS AND SENIOR MANAGEMENT

The biographies of each of the Directors and senior management are set out on page 19 to page 22 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 2016 and up to the date of this report.

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

As at 31 December 2016, so far as it is known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Capacity/type of interest	Number of total shares held	Approximate percentage of shareholding in issued shares (%)
Mr. ZHANG Shiping[(1)]	Interest of a controlled corporation	5,889,024,573	81.12
Ms. ZHENG Shuliang[(2)]	Interest of spouse	5,889,024,573	81.12
Shiping Prosperity Private Trust Company[(3)]	Trustee	5,889,024,573	81.12
Hongqiao Holdings	Beneficial owner	5,889,024,573	81.12

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.

Save as disclosed above, as at 31 December 2016, 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 2016, the Directors and chief executive had the following interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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	5,889,024,573	81.12
Ms. ZHENG Shuliang(2)	Interest of spouse	5,889,024,573	81.12
Mr. ZHANG Bo(3)	Beneficial owner	8,870,000	0.12

Notes:

(1) The interests of Mr. Zhang Shiping in the Company were held through his wholly-owned investment company China Hongqiao Holdings Limited ("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 2016, 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 2016.

CONNECTED TRANSACTIONS

The following related party transactions disclosed in Note 44 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 44 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

(i) Terms of the Agreement

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 on 29 June 2015 for a term ending on 31 December 2017, pursuant to which Jinsha Water Supply agreed to supply water to Zhanhua Huihong for production use. For details of the agreement, please refer to the announcement of the Company dated 29 June 2015. As at the date of this annual report, Jinsha Water Supply is owned as to 42.00% by Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company, and thus Jinsha Water Supply is deemed to be a connected person under Chapter 14A of the Listing Rules. Jinsha Water Supply provides stable and timely water supply to the Group, the close location of Jinsha Water Supply to the Group makes it convenient and efficient for water supply, and is favorable to the existing business development and the future expansion capacity of the Group.

(ii) Pricing

The pricing for the purchase of water from Jinsha Water Supply by Zhanhua Huihong for its production will be approximately RMB1.75 per ton (excluding the value-added tax of 3%), 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.

The details of the above connected transaction were disclosed in the announcement of the Company issued on 29 June 2015.

During the Year, the purchase of water for production use under the production water supply agreement from Jinsha Water supply amounted to approximately RMB24,643,000, which was below the 2016 total transaction cap of approximately RMB84,000,000.

Supply of steam to Binzhou Industrial Park for production use by Binbei Aluminum.

(i) Terms of the Agreement

The Company's indirectly wholly-owned subsidiary, Binzhou Municipal Binbei New Material Co., Limited ("Binbei Aluminum", currently known as Binzhou City Hongnuo New Material Co., Ltd.) and Binzhou Industrial Park entered into the steam supply agreement on 3 July 2015 for a term ending on 31 December 2017, pursuant to which Binbei Aluminum agreed to supply steam to Binzhou Industrial Park for its production use. Such agreement has been renewed for a term ending 31 December 2019 on 20 October 2017. For details of the agreement, please refer to the announcement of the Company dated 3 July 2015 and 20 October 2017. As at the date of this annual report, Binzhou Industrial Park is owned as to 64.00% by Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company, and thus Binzhou Industrial Park is deemed to be the connected person under Chapter 14A of the Listing Rules. Entering into the steam supply agreement will allow Binbei Aluminum to generate additional revenue from the sales of steam and better utilise the steam produced during the power generation process.

(ii) Pricing

The pricing for steam will be RMB170 per ton (including the value-added tax of 13%). The price for steam supplied by Binbei Aluminum to Binzhou Industrial Park was determined with reference to the price at which comparable types of relevant products are supplied by Binbei Aluminum to other independent third parties on normal commercial terms in its ordinary and usual course of business in Binzhou, Shandong Province, the PRC.

The details of the above connected transaction were disclosed in the announcement of the Company issued on 3 July 2015.

During the Year, the sales of steam under the steam supply agreement to Binzhou Industrial Park amounted to approximately RMB26,709,000, which was below the 2016 total transaction cap of approximately RMB44,130,000.

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.

PENSION SCHEME

Details of the pension scheme of the Group are set out in Notes 4 and 12 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 2016 and up to the date of this 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 2016, 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 on the Stock Exchange as at the date of this 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 three independent non-executive Directors. An Audit Committee meeting was held on 27 October 2017 to review the consolidated financial statements of the Group for the year ended 31 December 2016. The Audit Committee considered that the annual financial results of the Group for the year ended 31 December 2016 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

BUSINESS REVIEW

Business review of the Group during the Year is set out in Management Discussion and Analysis pages 9 to 18 of the annual report.

INTERNATIONAL AUDITORS

SHINEWING (HK) CPA Limited ("ShineWing HK") was the Company's international auditors for the year ended 31 December 2016. A resolution for the appointment of ShineWing HK as the international auditors of the Company has been proposed at the 2016 Annual General Meeting and duly passed by the shareholders of the Company on 31 August 2017 by way of poll.

On 27 April 2017, the Company received a resignation letter from EY setting out the above, pursuant to which EY 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 of Directors
ZHANG Shiping
Chairman
Shandong, the PRC

27 October 2017

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 2016, 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 2016 and up to the date of issuance of this annual report.

THE BOARD OF DIRECTORS

As at 31 December 2016, the Board of the Company comprised of three executive Directors, two non-executive Directors, three independent non-executive Directors.

The Board members are as follows:

Executive Directors

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

Non-executive Directors

Mr. YANG Congsen
Mr. ZHANG Jinglei

Independent Non-executive Directors

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

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

Responsibilities

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

Delegation of management function

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflicts of interest), financial information 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 2015 held by the Company on 9 May 2016, Ms. Zheng Shuliang, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Xing Jian, Mr. Chen Yinghai and Mr. Han Benwen were re-elected as Directors of the Company. At the 2016 Annual General Meeting of the Company held 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 the Directors of the Company.

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 2016 to 31 December 2016, all Directors have been required to provide the Company with their training records, and relevant records have been maintained by the company secretary. All Directors of the Company including Mr. Zhang Shiping, Ms. Zheng Shuliang, Mr. Zhang Bo, Mr. Yang Congsen, Mr. Zhang Jinglei, Mr. Chen Yinghai, Mr. Xing Jian, Mr. Han Benwen and the Company Secretary Ms. Zhang Yuexia attended the training courses or continuing study programmes in relation to corporate governance and management to further enhance their knowledge and skills.

Performance evaluation

The Board recognises the importance and benefits of conducting regular evaluations of its performance to ensure improvement in its functioning. During 2016, 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 2016, six board meetings either in person or through other electronic means of communication were held and the attendance records of individual Directors are set out below:

Name of Directors	Number of Board Meetings Attended/Held	Number of General Meetings Attended/Held
Executive Directors		
Mr. ZHANG Shiping	5/6	1/1
Ms. ZHENG Shuliang	6/6	1/1
Mr. ZHANG Bo	6/6	1/1
Non-Executive Directors		
Mr. YANG Congsen	6/6	1/1
Mr. ZHANG Jinglei	6/6	1/1
Independent Non-Executive Directors		
Mr. XING Jian	6/6	1/1
Mr. CHEN Yinghai	6/6	1/1
Mr. HAN Benwen	6/6	1/1

PRACTICES AND CONDUCT OF MEETINGS

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

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the Directors apprised of the latest developments, 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 three independent non-executive Directors.

The composition of the Audit Committee

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

Roles and functions

The primary duties of the Audit Committee are to assist 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 2016 have been reviewed by the Audit Committee.

During the year ended 31 December 2016, the Audit Committee held two meetings, and the attendance record of individual committee members are set out below:

Name of Directors	Number of Meetings Attended/Held
Mr. HAN Benwen	2/2
Mr. XING Jian	2/2
Mr. CHEN Yinghai	2/2

B. REMUNERATION COMMITTEE

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

The composition of the Remuneration Committee

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

Roles and functions

The primary duties of the Remuneration Committee include (but without limitation): (i) making recommendations to the Directors on 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; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and (iv) considering and approving the grant of share options to eligible participants pursuant to the share option scheme.

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

During the year ended 31 December 2016, 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

C. NOMINATION COMMITTEE

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

The Nomination Committee was established on 16 January 2011. During the year ended 31 December 2016, 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

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 2016.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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, ShineWing HK, in respect of audit services for the year ended 31 December 2016 amounted to RMB4,000,000.

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 2016, 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.

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 (collectively referred to as the "Group") set out on pages 50 to 144, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016, 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 ("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 Auditors' 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.

COMPLIANCE OF COVENANTS RELATED TO DEBT FINANCING

Refer to note 29 to the consolidated financial statements.

The key audit matter

The Group had significant amount of debts including bank borrowings, bonds, debentures and guaranteed notes.

We have identified compliance of financial covenants as a key audit matter because despite that the Group has been making profits over the years and has a strong financial position, the Group's audited accounts for the year ended 31 December 2016 have not been issued and its shares have been suspended from trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since March 2017. It will lead to the breach of covenants other than financial covenants including but not limited to reporting requirements, market capitalisation matters, etc. Such circumstances may lead to the reclassification of debts at the end of the reporting period. It may further affect the Group's ability to continue as a going concern when certain long-term debts become repayable on demand or within a year from the end of the reporting period.

How the matter was addressed in our audit

We have obtained and reviewed all the facilities letters, loan agreements and other debt documents.

We have obtained and reviewed the waivers or extensions obtained by the Group for debts that will breach relevant covenants.

We have also obtained and reviewed the cash flow forecast prepared by the management to support the Group's ability to continue as a going concern. We then challenged the reasonableness of key assumptions based on our knowledge of the business and industry and reconciled input data to supporting evidences including subsequent financial information and cash position of the Group.

TRANSACTIONS WITH RELATED PARTIES AND DISCLOSURE

Refer to note 44 to the consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in our audit

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

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

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

GOING CONCERN CONSIDERATION

Refer to note 2 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the Group had net current liabilities of approximately RMB873,623,000 as at 31 December 2016. In view of such circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.	Our audit procedures included, amongst others, obtaining and reviewing the cash flow forecast prepared by the management, which has taken into account the Group's future capital commitments and debt repayments. We then challenged the reasonableness of key assumptions based on our knowledge of the business and industry and reconciled input data to supporting evidences including subsequent financial information and cash position of the Group.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor, who expressed an unqualified opinion on 11 March 2016.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044
43/F., Lee Garden One,
33 Hysan Avenue, Causeway Bay, Hong Kong
27 October 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Revenue	7	**61,395,578**	44,109,934
Cost of sales		**(47,199,245)**	(35,081,530)
Gross profit		**14,196,333**	9,028,404
Other income and gains	9	**1,019,222**	744,676
Selling and distribution expenses		**(164,269)**	(88,449)
Administrative expenses		**(2,080,550)**	(878,696)
Other expenses		**(20,063)**	(42,670)
Finance costs	10	**(3,345,896)**	(3,217,096)
Changes in fair value of derivatives	25	**25,987**	(209,932)
Share of profit (loss) of associates	19	**129,012**	(284)
Gain on disposal of a subsidiary	40	**4,561**	–
Profit before taxation		**9,764,337**	5,335,953
Income tax expense	11	**(2,948,667)**	(1,657,994)
Profit for the year	12	**6,815,670**	3,677,959
Attributable to:			
Owners of the Company		**6,849,829**	3,706,512
Non-controlling interests		**(34,159)**	(28,553)
		6,815,670	3,677,959
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**144,464**	63,700
Share of other comprehensive income of associates		**7,231**	–
		151,695	63,700
Total comprehensive income for the year, net of income tax		**6,967,365**	3,741,659
Total comprehensive income (expense) for the year attributable to			
Owners of the Company		**6,945,267**	3,744,731
Non-controlling interests		**22,098**	(3,072)
		6,967,365	3,741,659
Earnings per share	16		
– Basic (RMB)		**0.96**	0.59
– Diluted (RMB)		**0.96**	0.59

Consolidated Statement of Financial Position

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	17	**86,658,456**	69,905,236
Prepaid lease payments	18	**3,066,503**	1,738,590
Deposits paid for acquisition of property, plant and equipment		**1,745,089**	1,497,883
Deposits paid for acquisition of land		**443,390**	–
Deferred tax assets	33	**557,322**	255,576
Interests in associates	19	**944,796**	309,744
Goodwill	20	**311,769**	80,418
Other financial assets	25	**14,631**	–
		93,741,956	73,787,447
CURRENT ASSETS			
Prepaid lease payments	18	**56,152**	37,774
Inventories	21	**17,143,324**	12,235,436
Trade receivables	22	**363,314**	1,052,939
Bills receivables	23	**9,721,942**	7,503,961
Prepayments and other receivables	24	**8,242,544**	2,810,471
Other financial assets	25	**13,047**	–
Restricted bank deposits	26	**396,808**	601,417
Cash and cash equivalents	26	**12,842,380**	8,488,534
		48,779,511	32,730,532
CURRENT LIABILITIES			
Trade and bills payables	27	**7,506,386**	5,754,305
Other payables and accruals	28	**12,603,276**	10,261,532
Bank borrowings – due within one year	29	**14,310,943**	11,911,430
Other borrowing – due within one year	29	**–**	75,000
Other financial liabilities	25	**1,691**	–
Income tax payable		**724,632**	125,845
Short-term debentures and notes	30	**11,000,000**	14,000,000
Medium-term debentures and bonds – due within one year	31	**731,664**	–
Guaranteed notes	32	**2,768,436**	–
Deferred income	34	**6,106**	–
		49,653,134	42,128,112
NET CURRENT LIABILITIES		**(873,623)**	(9,397,580)
TOTAL ASSETS LESS CURRENT LIABILITIES		**92,868,333**	64,389,867

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	29	**4,696,770**	11,465,162
Deferred tax liabilities	33	**578,097**	165,825
Medium-term debentures and bonds – due after one year	31	**39,720,060**	11,905,771
Guaranteed notes	32	**2,070,436**	4,505,961
Deferred income	34	**114,668**	52,490
		47,180,031	28,095,209
NET ASSETS		**45,688,302**	36,294,658
CAPITAL AND RESERVES			
Share capital	35	**474,057**	415,834
Reserves	36	**44,324,255**	35,150,690
Equity attributable to owners of the Company		**44,798,312**	35,566,524
Non-controlling interests		**889,990**	728,134
TOTAL EQUITY		**45,688,302**	36,294,658

The consolidated financial statements on pages 50 to 52 were approved and authorised for issue by the board of directors on 27 October 2017 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 2016

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 36)	Translation reserve RMB'000 (Note 36)	Statutory surplus reserve RMB'000 (Note 36)	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 35)	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 i)	–	–	–	–	–	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 i

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.

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital Reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015	403,152	6,154,439	793,349	10,796	3,801,171	20,926,717	32,089,624	344,390	32,434,014
Profit (loss) for the year, restated	–	–	–	–	–	3,706,512	3,706,512	(28,553)	3,677,959
Other comprehensive income for the year:									
Exchange differences on translation of financial statements of foreign operations	–	–	–	38,219	–	–	38,219	25,481	63,700
Total comprehensive income (expense)	–	–	–	38,219	–	3,706,512	3,744,731	(3,072)	3,741,659
Shares issued (note 35)	12,682	1,087,444	–	–	–	–	1,100,126	–	1,100,126
Final 2014 dividend declared	–	–	–	–	–	(1,367,957)	(1,367,957)	–	(1,367,957)
Transfer of reserves	–	–	–	–	494,440	(494,440)	–	–	–
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	386,816	386,816
At 31 December 2015, restated	415,834	7,241,883	793,349	49,015	4,295,611	22,770,832	35,566,524	728,134	36,294,658

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (Restated)
OPERATING ACTIVITIES		
Profit before tax	**9,764,337**	5,335,953
Adjustments for:		
Interest income	**(104,628)**	(34,685)
Finance costs	**3,345,896**	3,217,096
Share of (profit) loss of associates	**(129,012)**	284
Depreciation	**5,596,906**	4,610,112
Loss (gain) on disposal of property, plant and equipment	**8,918**	(4,386)
(Gain) loss on fair value changes of derivatives	**(25,987)**	209,932
Investment gains from derivatives	**(18,070)**	–
Amortisation of prepaid lease payments	**53,038**	33,337
Reversal of impairment of inventories	**(42,670)**	–
Impairment loss recognised in respect of inventories	**12,792**	42,670
Impairment loss recognised in respect of trade receivables	**6,708**	–
Impairment loss recognised in respect of other receivables	**563**	–
Gain on disposal of a subsidiary	**(4,561)**	–
Amortisation of deferred income	**(456)**	–
Operating cash flows before movements in working capital	**18,463,774**	13,410,313
Increase in inventories	**(4,519,742)**	(1,129,951)
Decrease (increase) in trade receivables	**1,011,957**	(717,031)
Increase in bills receivables	**(1,601,730)**	(5,037,778)
Increase in prepayments and other receivables	**(516,511)**	(456,392)
Increase in restricted bank balance	**(2,832)**	–
Increase in trade and bills payables	**1,704,872**	3,317,473
Increase in other payables and accruals	**607,440**	454,243
Cash generated from operations	**15,147,228**	9,840,877
Income tax paid	**(2,318,189)**	(2,071,368)
NET CASH FROM OPERATING ACTIVITIES	**12,829,039**	7,769,509
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(20,830,387)**	(17,119,993)
Repayment to a former shareholder of a newly acquired subsidiary (note 39)	**(4,541,679)**	–
Acquisition of a subsidiary (note 39)	**(2,116,523)**	–
Placement of restricted bank deposits	**(1,684,063)**	(1,301,062)
Deposits paid for acquisition of a subsidiary (note 24)	**(899,515)**	–
Addition to prepaid land lease payments and deposits for acquisition of land	**(791,473)**	(307,055)
Loans to associates	**(378,500)**	(292,212)
Addition of an associate	**(20,024)**	–
Disposal of a subsidiary (note 40)	**3,119**	–
Proceeds from disposal of property, plant and equipment	**9,935**	7,501
Interest received	**40,041**	34,685
Receipt of government grants	**68,740**	52,490
Withdrawal of restricted bank deposits	**1,891,504**	1,529,434
NET CASH USED IN INVESTING ACTIVITIES	**(29,248,825)**	(17,396,212)

	2016 RMB'000	2015 RMB'000 (Restated)
FINANCING ACTIVITIES		
Proceeds from issuance of medium-term debentures and bonds	**28,800,000**	5,200,000
Proceeds from issuance of short-term debentures and notes	**16,000,000**	14,000,000
New bank borrowings	**15,742,657**	20,266,225
Proceeds from issue of shares	**3,222,140**	–
Contribution from non-controlling shareholders	**147,501**	386,816
Payment of transaction costs attributable to issue of new shares	**(12,657)**	–
Payment of transaction costs on issuance of short-term debentures and notes	**(62,000)**	(62,000)
Repayment of other borrowings	**(75,000)**	(160,000)
Payment of transaction costs on issue of medium-term debentures and notes	**(311,345)**	(65,800)
Dividends paid to the owners of the Company	**(930,705)**	(1,367,957)
Interest paid	**(2,820,045)**	(2,242,680)
Repayment of short-term debentures and notes	**(19,000,000)**	(7,000,000)
Repayment of bank borrowings	**(20,111,536)**	(16,981,746)
Repayment of medium-term debentures and bonds	**–**	(1,500,000)
NET CASH FROM FINANCING ACTIVITIES	**20,589,010**	10,472,858
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,169,224**	846,155
Effect of changes in foreign exchange rates	**184,622**	(33,956)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**8,488,534**	7,676,335
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash	**12,842,380**	8,488,534
Analysis of Components of Cash and Cash Equivalents:		
Cash and bank balances	**12,827,380**	8,447,534
Non-pledged time deposits with original maturity of less than three months when acquired	**15,000**	41,000
Cash and cash equivalents as stated in the consolidated statement of financial position	**12,842,380**	8,488,534
Cash and cash equivalents as stated in the consolidated statement of cash flows	**12,842,380**	8,488,534

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 ultimate 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 48.

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

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given consideration of the Group in light of the Group's net current liabilities of approximately RMB873,623,000 as at 31 December 2016. The directors of the Company, based on the Group's available cash flow forecast projections, considered that the Group will have sufficient working capital to meet its financial obligations that will be falling due in the foreseeable future. The followings were considered by the directors:

(i) As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB12,842,380,000;

(ii) The Group is actively negotiating with banks for the renewal of its short-term borrowings as necessary when they fall due in the foreseeable future. The Group did not encounter any significant difficulties in renewing its short-term borrowings in the past and therefore the directors of the Company are of the opinion that all short-term borrowings can be renewed; and

(iii) In June 2017, the Group entered into a strategic cooperation agreement with a bank in the PRC with available banking facilities of up to RMB20,000,000,000. Up to the date of this report, the Group has signed specific facilities letters with the bank amounted to approximately RMB7,574,800,000 and the Group has utilised approximately RMB5,248,510,000 of such facilities, with remaining approximately RMB2,326,290,000 of undrawn facilities ready to be drawn down when the need arises. Details of which are set out in note 49(g).

After taking into account the Group's business prospects, internal resources, and the available financing facilities, the directors of the Company are of the opinion that, in the absence of unforeseeable circumstances and subject to the successful securing of the sources of funding set out above, the directors considered that the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of the consolidated financial statements. Accordingly, the consolidated financial statements for the year ended 31 December 2016 have been prepared on a going concern basis.

3. 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 IFRSs 2012-2014 Cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the amendments to 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.

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[2]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[4]
IFRS 17	Insurance Contracts[6]
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration[2]
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments[4]
Amendments to IAS 7	Disclosure Initiative[1]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to IAS 40	Transfers of Investment Property[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle[3]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
4 Effective for annual periods beginning on or after 1 January 2019.
5 Effective date not yet been determined.
6 Effective for annual periods beginning on or after 1 January 2021.

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.

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

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.

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

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

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

IFRS 9 (2014) Financial Instruments (Continued)

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

- 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.

- 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 anticipate that the adoption of IFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in IAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. IFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. For financial liabilities 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. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 (2014) until a detailed review has been completed.

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

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 directors of the Company anticipate that the application of IFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under IFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detail review is completed.

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.

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

IFRS 16 Leases (Continued)

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. 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 be 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 2016, the Group has non-cancellable operating lease commitments of approximately RMB15,810,000 as disclosed in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

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 reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to IAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to IAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances for liabilities arising from financing activities will be provided on application.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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

Changes in the Group's ownership interests in existing subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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.

4. 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.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration that is within the scope of IAS 39 is measured at fair value at each reporting date, and changes in fair value are recognised in profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date and changes in fair value are recognised in profit or loss.

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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.

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 and sales related taxes.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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 lessee

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

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

Leasehold land and building

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

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

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

Retirement benefits costs and termination benefits

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

Short-term and other long-term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. 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 loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

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, 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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment loss on financial assets (Continued)

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, bills receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or bills receivable or 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.

Financial liabilities and equity instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the other income and gains line item in profit or loss and excludes any interest paid on the financial liabilities. Fair value is determined in a manner described in note 38.

Other financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Convertible bonds

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion 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 instrument is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative together with other embedded derivatives 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 derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Derivative financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments (Continued)

Embedded derivatives

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

Derecognition

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

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

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

5. PRIOR YEAR ADJUSTMENTS

In preparing the consolidated financial statements for the year ended 31 December 2016, the Group identified an error in respect of the accounting treatment of certain construction materials purchased from an independent third party during the year ended 31 December 2015. The Group transferred unused construction materials of approximately RMB1,695,322,000 to plant and machinery under property, plant and equipment and commenced depreciation. Prior year adjustments have been made to reclassify the balances from plant and machinery to construction in progress and reverse the related depreciation expenses in the previously issued consolidated financial statements for the year ended 31 December 2015.

The effect of the restatements on the result of the Company by line item is as follows:

	2015 RMB'000
Decrease in costs of sales	(76,961)
Increase in income tax expense	19,240
Increase in profit and total comprehensive income for the year ended 31 December 2015	57,721

The following reconciliations show the effect of restatement on the financial position of the Group at 31 December 2015 and the Group's profit and total comprehensive income for the year ended 31 December 2015.

5. PRIOR YEAR ADJUSTMENTS (Continued)

	As previously reported RMB'000	Adjustments RMB'000	As restated RMB'000
As at 31 December 2015			
Property, plant and equipment	69,828,275	76,961	69,905,236
Other non-current assets	3,882,211	–	3,882,211
Prepayments and other receivables	2,807,789	2,682	2,810,471
Other current assets	29,920,061	–	29,920,061
Income tax payable	(103,923)	(21,922)	(125,845)
Other current liabilities	(42,002,267)	–	(42,002,267)
Non-current liabilities	(28,095,209)	–	(28,095,209)
Net assets	36,236,937	57,721	36,294,658
Capital and reserve			
Share capital	415,834	–	415,834
Other reserves	8,084,247	–	8,084,247
Statutory reserve	4,292,876	2,735	4,295,611
Retained earnings	22,715,846	54,986	22,770,832
Equity attributable to owners of parent	35,508,803	57,721	35,566,524
Non-controlling interests	728,134	–	728,134
Total equity	36,236,937	57,721	36,294,658
For the year ended 31 December 2015			
Profit and total comprehensive expense for the year	3,683,938	57,721	3,741,659
Basic and diluted earnings per share (RMB)	0.58	0.01	0.59

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

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.

Going concern basis

As disclosed in note 2, although the Group had net current liabilities of approximately RMB873,623,000 as at 31 December 2016, the Group manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Group's liquidity requirements in the short and long term. Details of liquidity risk are disclosed in note 38(e).

Ownership of the land and buildings

Despite the Group has paid the full purchase consideration as detailed in notes 17 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.

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 2016, the amounts provided for withholding tax was RMB233,849,000 (2015: RMB90,698,000). Further details are given in note 33 to the consolidated financial statements.

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 of the cash-generating units 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. The carrying amount of goodwill at 31 December 2016 was RMB311,769,000 (2015: RMB80,418,000). Further details are given in note 20 to the consolidated financial statements.

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

Key sources of estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses 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 at 31 December 2016 was RMB298,724,000 (2015: RMB110,800,000). The amount of unrecognised tax losses at 31 December 2016 was RMB1,287,631,000 (2015: RMB162,131,000). Further details are contained in note 33 to the consolidated financial statements.

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 realise.

Impairment of property, plant and equipment

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

At 31 December 2016, the directors of the Company are satisfied that there is no indication that property, plant and equipment has suffered an impairment loss. As at 31 December 2016, the carrying amount of property, plant and equipment was approximately RMB86,658,456,000 (2015 (Restated): RMB69,905,236,000) as disclosed in note 17 to the consolidated financial statements.

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 2016, the carrying amount of inventories was approximately RMB17,143,324,000 (2015: RMB12,235,436,000) as disclosed in note 21 to the consolidated financial statements.

7. REVENUE

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

	2016 RMB'000	2015 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**53,848,144**	40,291,596
– aluminum alloy ingots	**5,089,082**	1,731,393
– aluminum fabrication	**2,412,793**	2,031,011
Steam supply income	**45,559**	55,934
	61,395,578	44,109,934

8. 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	
	2016 RMB'000	2015 RMB'000 (Restated)
PRC	**86,606,096**	68,948,542
Indonesia	**5,801,141**	4,291,117
	92,407,237	73,239,659

Note:

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

8. SEGMENT INFORMATION (Continued)

Information about major customers

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

	2016 **RMB'000**	2015 RMB'000
Customer A	**27,632,747**	15,625,790

9. OTHER INCOME AND GAINS

	2016 **RMB'000**	2015 RMB'000
Bank interest income	**58,642**	34,685
Other interest income	**45,986**	–
Gain from sales of raw materials	**71,970**	29,555
Gain from sales of scraps materials	**184,062**	238,530
Gain from sales of slag of carbon anode blocks	**500,405**	385,233
Reversal of impairment of inventories	**42,670**	–
Investment gains from derivatives	**18,070**	–
Amortisation of deferred income (Note 34)	**456**	–
Value-added tax ("VAT") income (note)	**36,087**	–
Gain on disposal of property, plant and equipment	**–**	4,386
Others	**60,874**	52,287
	1,019,222	744,676

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.

10. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest expenses on bank borrowings	**1,018,423**	997,873
Interest expenses on other borrowings	**9,482**	11,415
Interest expenses on short-term debentures and notes	**594,715**	578,789
Interest expenses on medium-term debentures and bonds	**1,522,945**	676,701
Interest expenses on guaranteed notes	**360,667**	337,227
Interest expenses on convertible bonds	**–**	46,672
Foreign exchange lost, net	**–**	999,615
	3,506,232	3,648,292
Less: amounts capitalised under construction in progress	**(160,336)**	(431,196)
	3,345,896	3,217,096

Borrowing costs capitalised during the year are calculated by applying a capitalisation rate of 4.59% (2015: 5.28%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000 (Restated)
Current tax:		
– Hong Kong Profit Tax	**–**	9,307
– PRC Enterprise Income Tax	**2,949,785**	1,790,408
	2,949,785	1,799,715
Under provision in prior year		
– PRC Enterprise Income Tax	**3,700**	–
Deferred taxation (note 33)	**(4,818)**	(141,721)
Total income tax expense for the year	**2,948,667**	1,657,994

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

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

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.

11. INCOME TAX EXPENSE (Continued)

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax. The PRC dividend withholding tax rate was change from 5% to 10% due to the applicability of the Sino-Hong Kong tax treaty during the year ended 31 December 2015. An amount of approximately RMB143,151,000 (2015: RMB90,698,000) is recognised in respect of the PRC subsidiaries' undistributed profits generated in the current year.

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:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Profit before taxation	**9,764,337**	5,335,953
Tax at the statutory tax rate of 25%	**2,441,084**	1,333,988
Tax effect of expenses not deductible for tax purpose	**29,669**	64,014
Tax effect of tax losses not recognised	**265,600**	20,204
Utilisation of tax losses previously not recognised	**(4,336)**	(9,602)
Under-provision in respect of prior years	**3,700**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**28,898**	2,090
Effect of entity not subject to income tax	**(1,300)**	88,489
Tax effect of share of (profit) loss of associates	**(32,253)**	71
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**143,151**	90,698
Tax effect of distribution of profits due to change of tax rate	**–**	68,042
Tax effect of withholding tax on offshore interest income	**56,302**	–
Others	**18,152**	–
Income tax expense for the year	**2,948,667**	1,657,994

Details of the deferred taxation are set out in note 33.

12. PROFIT FOR THE YEAR

	2016 RMB'000	2015 RMB'000 (Restated)
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 13)	**4,671**	4,641
Salaries and allowances (excluding directors' emoluments)	**3,417,468**	2,927,082
Retirement benefit scheme contributions (excluding directors' emoluments)	**82,832**	89,680
Total staff costs	**3,504,971**	3,021,403
Auditor's remuneration	**4,000**	3,740
Amortisation of prepaid lease payments	**53,038**	33,337
Cost of inventories recognised as an expense	**46,691,077**	34,896,756
Depreciation	**5,596,906**	4,610,112
Foreign exchange losses, net	**778,954**	999,615
Loss on disposal of property, plant and equipment	**8,918**	–
Write-down of inventories to net realisable value*	**12,792**	42,670
Impairment loss recognised in respect of trade receivables*	**6,708**	–
Impairment loss recognised in respect of other receivables*	**563**	–

*The above are included in "Other expenses" in the consolidated statement of profit or loss.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 8 (2015: 8) directors and the chief executive were as follows:

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 or its subsidiary undertaking	**Fees RMB'000**	**Salaries, allowances and benefit in kinds RMB'000**	**Pension scheme contributions RMB'000**	**Total RMB'000**
Executive directors:				
Zhang Shiping ("Mr Zhang")	**1,500**	**97**	**–**	**1,597**
Zheng Shui Liang	**500**	**74**	**–**	**574**
Zhang Bo	**800**	**95**	**8**	**903**
Non-executive directors:				
Yang Congsen	**600**	**89**	**8**	**697**
Zhang Jinglei	**300**	**–**	**–**	**300**
Independent non-executive directors:				
Xing Jian	**200**	**–**	**–**	**200**
Chen Yinghai	**200**	**–**	**–**	**200**
Han Benwen	**200**	**–**	**–**	**200**
	4,300	**355**	**16**	**4,671**

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

For the year ended 31 December 2015

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking	Fees RMB'000	Salaries, allowances and benefit in kinds RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:				
Zhang Shiping ("Mr Zhang")	1,500	93	–	1,593
Zheng Shui Liang	500	70	–	570
Zhang Bo	800	84	8	892
Non-executive directors:				
Yang Congsen	600	79	7	686
Zhang Jinglei	300	–	–	300
Independent non-executive directors:				
Xing Jian	200	–	–	200
Chen Yinghai	200	–	–	200
Han Benwen	200	–	–	200
	4,300	326	15	4,641

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2016 and 2015.

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 2016 and 2015.

14. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group in 2016 and 2015 were all directors and the chief executive of the Company and details of their emoluments are included in note 13 above.

15. DIVIDENDS

	2016 RMB'000	2015 RMB'000
Dividends recognised as distribution during the year:		
2015 final dividends – HK15 cents per share	**930,705**	–
2014 final dividends – HK28 cents per share	**–**	1,367,957
	930,705	1,367,957

During the current year, a final dividend of HK$1,082,597,000 (equivalent to approximately RMB930,705,000) at HK15 cents per share based on 7,259,766,023 shares as at 18 February 2016 (2015: HK$1,725,046,000 (equivalent to approximately RMB1,367,957,000), at HK28 cents per share in respect of the year ended 31 December 2014) 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.

Subsequent to the end of the reporting period, a final dividend of HK27 cents per share in respect of the year ended 31 December 2016 (2015: HK15 cents per share) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting (and at any adjournment thereof).

Subsequent to the end of the reporting period, a special dividend of HK20 cents per share in respect of the year ended 31 December 2016 (2015: nil) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting (and at any adjournment thereof).

16. EARNINGS PER SHARE

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

	2016 RMB'000	2015 RMB'000 (Restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**6,849,829**	3,706,512

Number of shares	2016 '000	2015 '000
Weighted average number of ordinary shares in issue during the year	**7,142,521**	6,277,594
Bonus element of rights issue (note)	**3,022**	22,654
	7,145,543	6,300,248

Note: On 18 February 2016, the Company completed the rights issue of 891,550,213 right shares and accordingly the earnings per share for the year ended 31 December 2015 have been restated to reflect the effect of rights issue.

Diluted earnings per share was the same as the basic earnings per share for both years as there were no dilutive ordinary shares outstanding as at 31 December 2016 and 2015.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicle RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2015	17,256,052	35,750,285	17,249	47,022	10,243,624	63,314,232
Additions (Restated)	19,133	2,276,359	9,211	6,280	17,305,517	19,616,500
Transfer	4,331,565	7,857,871	558	2,327	(12,192,321)	–
Reclassification	(1,922,252)	1,922,252	–	–	–	–
Disposals	–	(4,725)	–	(849)	–	(5,574)
Exchange realignment	728	2,075	236	157	46,151	49,347
At 31 December 2015 and 1 January 2016 (Restated)	19,685,226	47,804,117	27,254	54,937	15,402,971	82,974,505
Additions	363,796	474,951	26,647	3,290	20,266,720	21,135,404
Acquired on acquisition of a subsidiary	2,132,302	1,820,334	2,885	–	929,195	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	34,756,180	65,896,833	60,904	66,190	4,529,272	105,309,379
ACCUMULATED DEPRECIATION						
At 1 January 2015	1,928,506	6,510,692	5,565	16,614	–	8,461,377
Provided for the year	373,693	4,227,087	4,192	5,140	–	4,610,112
Eliminated on disposal	–	(1,806)	–	(653)	–	(2,459)
Exchange realignment	3	166	46	24	–	239
At 31 December 2015 and 1 January 2016 (Restated)	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	3,552,340	15,041,828	28,594	28,161	–	18,650,923
Carrying values						
At 31 December 2016	31,203,840	50,855,005	32,310	38,029	4,529,272	86,658,456
At 31 December 2015	17,383,024	37,067,978	17,451	33,812	15,402,971	69,905,236

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

At 31 December 2015, certain of the Group's buildings with a net carrying amount of approximately RMB326,900,000 (2016: nil) were pledged to secure other borrowings of the Group (note 41).

There are properties with a carrying amount of RMB3,351,666,000 (2015: RMB1,749,435,000) located in the PRC of which the Group is in the process of obtaining the property certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

18. PREPAID LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**1,776,364**	1,490,633
Addition during the year	**348,083**	319,068
Acquired on acquisition of a subsidiary	**1,049,391**	–
Amortisation during the year	**(53,038)**	(33,337)
Exchange realignment	**1,855**	–
Carrying amount at 31 December	**3,122,655**	1,776,364
Analysed for reporting purposes as:		
Current asset	**56,152**	37,774
Non-current asset	**3,066,503**	1,738,590
	3,122,655	1,776,364

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 land lease payments with carrying amount of RMB426,536,000 (2015: RMB278,021,000) located in the PRC which the Group is in the process of obtaining the property certificates.

19. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Costs of investments in associates	20,308	284
Disposed during the year	(81)	–
Share of profits and other comprehensive income	161,722	17,248
Elimination of loss shared upon disposal	81	–
	182,030	17,532
Loans to associates	762,766	292,212
	944,796	309,744

The loans to associates are unsecured, interest-free and repaid within 2 years.

The Group's payable balances with the associates are disclosed in note 44 to the consolidated financial statements.

As at 31 December 2016 and 2015, 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
					2016	2015	2016	2015	
Asian African Mineral and Logistics Consortium Ltd. ("AAMLC") (note 1)	Incorporated	Guinea	Guinea	Ordinary	-	25%	-	25%	Mineral exploration
Société à Responsabilité Limitée Unipersonnelle ("SMB") (note 2)	Incorporated	Guinea	Guinea	Ordinary	22.5%	25%	22.5%	25%	Mineral exploration
Winning Alliance Ports SA ("WAP") (notes 1 and 2)	Incorporated	Guinea	Guinea	Ordinary	22.5%	35%	22.5%	35%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	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%	N/A	20%	N/A	Inactive

Note 1: During the current year, AAMLC was disposed at nil consideration during the year. As the Group discontinued to recognise losses of AAMLC in prior years, no gain/loss was resulted.

Through disposal of AAMLC, the Group also disposed its 10% indirect interest in WAP.

Note 2: The Group disposed its 2.5% interest in both WAP and SMB at nil consideration during the current year. 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.

19. INTERESTS IN ASSOCIATES (Continued)

None of the associates are material to the Group. 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:

	2016 RMB'000	2015 RMB'000
The Group's share of profit	**137,243**	17,248
The Group's share of other comprehensive income	**7,231**	–
The Group's share of total comprehensive income	**144,474**	17,248
Elimination of unrealised profits	**(8,231)**	(17,532)

	2016 RMB'000	2015 RMB'000
Carrying amount of the Group's interests in immaterial associates	**182,030**	17,532

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:

	2016 RMB'000	2015 RMB'000
Unrecognised share of losses of associates for the year	**41,820**	16,641

	2016 RMB'000	2015 RMB'000
Accumulated unrecognised share of losses of associates	**58,461**	16,641

20. GOODWILL

	2016 RMB'000	2015 RMB'000
COST		
At beginning of the financial year, as originally stated	**80,418**	80,418
Arising on acquisition of a subsidiary	**231,351**	–
At the end of the financial year	**311,769**	80,418
ACCUMULATED IMPAIRMENT LOSSES		
At beginning and end of the financial year	**–**	–
CARRYING AMOUNT		
At 31 December	**311,769**	80,418

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

For the purposes of impairment testing, goodwill has been allocated to the following cash generating unit (CGU).

	2016 RMB'000	2015 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Unit A)	**231,351**	–
Manufacture and selling of aluminum products in Binzhou, the PRC (Unit B)	**80,418**	80,418
	311,769	80,418

During the year ended 31 December 2016, management of the Group determines that there is no impairment of any of its cash-generating units containing goodwill.

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 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.

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.

20. GOODWILL (Continued)

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 14.7% (2015: 11.3%). 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.

21. INVENTORIES

	2016 **RMB'000**	2015 RMB'000
Raw materials	**7,726,267**	7,633,718
Work in progress	**7,956,444**	4,443,974
Finished goods	**1,460,613**	157,744
	17,143,324	12,235,436

As 31 December 2016, the carrying amounts of the Group's inventories were net of impairment provisions of approximately RMB12,792,000 (2015: RMB42,670,000).

During the year, inventories previously provided were sold at profit. As a result, a reversal of provision of approximately RMB42,670,000 (2015: nil) has been recognised and included in other income and gains in the current year.

22. TRADE RECEIVABLES

	2016 **RMB'000**	2015 RMB'000
Trade receivables	**370,022**	1,052,939
Less: allowance for impairment losses	**(6,708)**	–
	363,314	1,052,939

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.

22. TRADE RECEIVABLES (Continued)

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

	2016 RMB'000	2015 RMB'000
Within 3 months	**355,508**	1,043,484
3-12 months	**7,806**	9,455
	363,314	1,052,939

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 RMB7,806,000 (2015: RMB9,455,000) 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 180 days (2015: 120 days).

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	**355,508**	1,043,484
Less than 1 month past due	**1,428**	9,455
More than 1 month past due	**6,378**	–
	363,314	1,052,939

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.

22. TRADE RECEIVABLES (Continued)

Movement in the allowance for impairment for trade receivables:

	2016 RMB'000	2015 RMB'000
At 1 January	–	–
Impairment loss recognized	6,708	–
At 31 December	6,708	–

At 31 December 2016, the Group's trade receivables of approximately RMB6,708,000 (2015: Nil) 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.

23. BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Bills receivables	9,721,942	7,503,961

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

	2016 RMB'000	2015 RMB'000
Within 3 months	5,080,553	3,358,968
3 to 6 months	4,632,489	4,144,993
Over 6 months	8,900	
	9,721,942	7,503,961

23. BILLS RECEIVABLE (Continued)

TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets were 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.

	2016 RMB'000	2015 RMB'000
Bills receivable endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**6,044,736**	5,462,542
Carrying amount of trade payables	**(1,029,079)**	(2,391,905)
Carrying amount of other payables	**(5,015,657)**	(3,070,637)
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.

24. PREPAYMENTS AND OTHER RECEIVABLES

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

	2016 RMB'000	2015 RMB'000 (Restated)
Prepayments to suppliers	**363,199**	502,936
Value-added tax recoverable	**2,443,685**	2,053,619
CIT refundable	**65,721**	102,576
Deposits paid for acquisition of a subsidiary (note)	**899,515**	–
Receivables arising from dealing with futures	**118,070**	–
Interest receivable	**64,587**	–
Other deposits	**150,000**	–
Amounts due from related parties	**23,364**	–
Amount refundable from a supplier	**3,955,477**	–
Others	**159,487**	151,340
	8,243,105	2,810,471
Less: allowance for impairment losses	**(561)**	–
	8,242,544	2,810,471

24. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Note: On 16 May 2016, Shandong Hongqiao 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 Loften Environmental Technology Co., Ltd ("Loften"), representing approximately 28.18% equity interest of Loften. 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 Loften 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.

Movement in the allowance for impairment for other receivables:

	2016 RMB'000	2015 RMB'000
At 1 January	**–**	–
Impairment loss recognized	**563**	–
Exchange realignment	**(2)**	–
At 31 December	**561**	–

At 31 December 2016, the Group's other receivables of approximately RMB561,000 (2015: nil) 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.

25. OTHER FINANCIAL ASSETS (LIABILITIES)

	Current		Non-current	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Other derivatives				
Interest rate swap	**–**	–	**11,123**	–
Foreign currency swap	**4,516**	–	**3,508**	–
Capped forward	**8,531**	–	**–**	–
Futures	**(1,691)**	–	**–**	–
	11,356	–	**14,631**	–

25. OTHER FINANCIAL ASSETS (LIABILITIES) (Continued)

	2016 RMB'000	2015 RMB'000
Amounts shown under non-current assets	14,631	–
Amounts shown under current assets	13,047	–
Amounts shown under current liabilities	(1,691)	–

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 RMB130,400,000/ 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

26. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**12,830,212**	8,447,534
Time deposits	**408,976**	642,417
	13,239,188	9,089,951
Less:		
Restricted bank balance (note 46)	**(2,832)**	–
Pledged time deposits:		
– pledged for issuance of letter of credit	**(265,976)**	(423,417)
– pledged for guarantee issued	**(128,000)**	(178,000)
Cash and cash equivalents	**12,842,380**	8,488,534

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 carry interest at market rates which range from 0.01% to 3.0% (2015: 0.001% to 3.0%) per annum.

As at 31 December 2016, bank balances of approximately RMB2,832,000 (2015: nil) were frozen by the Zhang Yuan Xian District Court. Details are set out in note 46.

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 0.05% to 3.30% (2015: 0.05% to 3.30%) per annum.

27. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Trade payables to third parties	**7,395,478**	5,487,860
Trade payables to an associate	**110,908**	116,445
	7,506,386	5,604,305
Bills payable	**–**	150,000
	7,506,386	5,754,305

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

	2016 RMB'000	2015 RMB'000
Within 6 months	**7,462,550**	5,566,271
6-12 months	**31,927**	31,936
1-2 years	**7,541**	3,991
More than 2 years	**4,368**	2,107
	7,506,386	5,604,305

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.

28. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Payables on property, plant and equipment	**6,151,945**	5,764,662
Retention payables	**2,832,619**	2,391,387
Accrued payroll and welfare	**454,188**	260,721
Advances from customers	**781,768**	594,152
Other taxes payables	**751,569**	268,456
Interest payable	**1,442,886**	875,997
Others	**188,301**	106,157
	12,603,276	10,261,532

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

(a) Bank borrowings

	2016 RMB'000	2015 RMB'000
Current		
Unsecured bank borrowings (note i)	**9,528,947**	7,560,718
Unsecured syndicated loans	**4,781,996**	4,350,712
	14,310,943	11,911,430
Non-current		
Unsecured bank borrowings (note i)	**4,696,770**	6,234,292
Unsecured syndicated loans	**–**	5,230,870
	4,696,770	11,465,162
	19,007,713	23,376,592

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

	2016 RMB'000	2015 RMB'000
Within one year or on demand	**14,310,943**	11,911,430
In the second year	**3,529,985**	4,032,671
In the third to fifth years, inclusive	**1,166,785**	7,432,491
	19,007,713	23,376,592

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(a) Bank borrowings (Continued)

	2016 RMB'000	2015 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 repayable on demand or within one year	**9,528,947**	11,911,430
Amounts shown under current liabilities	**14,310,943**	11,911,430
Amounts shown under non-current liabilities	**4,696,770**	11,465,162
	19,007,713	23,376,592

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

	2016 RMB'000	2015 RMB'000
Fixed-rate borrowings:		
On demand		
Within one year	**1,813,745**	3,988,841
In the second year	**–**	1,783,140
In the third to fifth years, inclusive	**–**	1,019,996
	1,813,745	6,791,977

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:

	2016	2015
Effective interest rate:		
Fixed-rate borrowings	**2.00% to 4.35%**	1.90% to 6.50%
Variable-rate borrowings	**1.14% to 5.89%**	1.14% to 6.16%

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(a) 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:

	2016 RMB'000	2015 RMB'000
US$	**10,932,384**	14,094,592

Notes:

(i) The balance of bank borrowings which are guaranteed by a related party was set out in note 44(c) to the financial statements.

(ii) Subsequent to the end of the reporting period, 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 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 this report, the Group is 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 is classified as current liabilities on the consolidated statement of financial position.

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

	2016 RMB'000	2015 RMB'000
Floating rate		
– expiring within one year	**350,000**	–
– expiring beyond one year	**–**	–
Fixed rate		
– expiring within one year	**–**	13,817
– expiring beyond one year	**–**	–
	350,000	13,817

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

(b) Other borrowings

As of 31 December 2015, the Company's subsidiary, Weiqiao Alumina & Power pledged certain equipment to secure other borrowings of the Group with a carrying amount of RMB75,000,000. During the year ended 31 December 2015, the Group has repaid the other borrowings amounting to RMB160,000,000. The secured other borrowings was lent by RBS Leasing (China) Co., Ltd, an independent third party, for three years with repayment in 12 installments and bearing interest at 6.27% per annum. The remaining RMB75,000,000 was fully repaid during the year.

The borrowings are repayable as follows:

	2016 RMB'000	2015 RMB'000
Other borrowings repayable:		
Within one year or on demand	**–**	75,000

30. SHORT-TERM DEBENTURES AND NOTES

	2016 RMB'000	2015 RMB'000
Short-term debentures and notes	**11,000,000**	14,000,000

30. SHORT-TERM DEBENTURES AND NOTES (Continued)

The details of the unsecured short-term debentures and notes issued during the two years are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures	6 March 2015	1,000,000	5.72%	5 March 2016
Short-term debentures	9 June 2015	2,000,000	5.00%	5 March 2016
Short-term debentures	9 July 2015	1,000,000	4.80%	4 April 2016
Short-term debentures	16 July 2015	1,000,000	4.40%	15 July 2016
Short-term debentures	22 July 2015	1,000,000	4.18%	17 April 2016
Short-term debentures	30 July 2015	1,000,000	4.25%	25 April 2016
Short-term debentures	7 August 2015	1,000,000	3.95%	3 May 2016
Short-term debentures	18 August 2015	1,000,000	3.90%	17 August 2016
Short-term debentures	21 August 2015	1,000,000	3.79%	21 August 2016
Short-term debentures	9 October 2015	1,000,000	3.72%	9 October 2016
Short-term debentures	11 December 2015	1,000,000	4.10%	11 December 2016
Short-term debentures	23 March 2015	1,000,000	6.80%	23 March 2016
Short-term debentures	10 April 2015	1,000,000	6.60%	10 April 2016
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

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.

31. MEDIUM-TERM DEBENTURES AND BONDS

	2016 RMB'000	2015 RMB'000
Medium-term debentures and bonds-due within one year	**731,664**	–
Medium-term debentures and bonds-due after one year	**39,720,060**	11,905,771
	40,451,724	11,905,771

The details of the medium-term debentures and bonds issued 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
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 2016	3,000,000	6.48%	6.75%	15 July 2021

31. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Debentures A, B, C, D, E, F, G, H and I 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 1 to 100 basis points (both figures inclusive).

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

31. 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:

	2016 **RMB'000**	2015 RMB'000
Within one year	**731,664**	–
In the second to fifth year	**30,930,159**	8,645,494
Over five years	**8,789,901**	3,260,277
	40,451,724	11,905,771

32. GUARANTEED NOTES

	2016 RMB'000	2015 RMB'000
Current liabilities	**2,768,436**	–
Non-current liabilities	**2,070,436**	4,505,961
	4,838,872	4,505,961

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.

32. 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.

33. 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:

	2016	2015
	RMB'000	RMB'000
Deferred tax assets	**557,322**	255,576
Deferred tax liabilities	**(578,097)**	(165,825)
	(20,775)	89,751

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

	Excess of accounting depreciation over tax depreciation	Tax losses	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
At 1 January 2015	30,120	–	(68,042)	66,310	–	–	–	(80,418)	60	(51,970)
(Charged) credited to profit or loss	(13,692)	110,800	(22,656)	37,922	13,123	10,668	–	5,291	265	141,721
At 31 December 2015	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	**1**	**298,724**	**(233,849)**	**222,102**	**30,186**	**5,015**	**423**	**(344,248)**	**871**	**(20,775)**

At the end of the reporting period, the Group has unused tax losses of approximately RMB2,482,527,000 (2015: RMB605,331,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB1,194,896,000 (2015: RMB443,200,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB1,287,631,000 (2015: RMB162,131,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,027,862,000 (2015: RMB126,747,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB259,769,000 (2015: RMB35,384,000) 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 RMB28,201,112,000 (2015: RMB25,471,117,000). 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.

34. DEFERRED INCOME

	2016 RMB'000	2015 RMB'000
Government grants		
– Current liabilities	**6,106**	–
– Non-current liabilities	**114,668**	52,490
	120,774	52,490

As at 31 December 2016, the Group received government subsidies of RMB121,200,000 (2015: RMB52,490,000) 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 RMB456,000 (2015: nil). As at 31 December 2016, balances of RMB120,774,000 (2015: RMB52,490,000) remain to be amortised.

35. ISSUED CAPITAL

	Number of shares		Share Capital	
	2016	2015	**2016 US$**	2015 US$
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	2016	2015	2016 US$	2015 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**7,259,766,023**	6,368,215,810	**72,597,660**	63,682,158

	Number of shares		Share Capital	
	2016	2015	**2016 RMB'000**	2015 RMB'000
Issued and fully paid:				
At beginning of the financial year	**6,368,215,810**	6,160,880,000	**415,834**	403,152
Conversion of bonds (note (a))	**–**	207,335,810	**–**	12,682
Issued of new shares (note (b))	**891,550,213**	–	**58,223**	
At the end of the financial year	**7,259,766,023**	6,368,215,810	**474,057**	415,834

35. ISSUED CAPITAL (Continued)

Notes:

(a) Convertible bonds issued in prior years have been fully converted at the conversion price to 207,335,810 shares of the Company during the year ended 31 December 2015. The carrying amount of Convertible Bonds, net of the par value of the shares, of RMB1,087,444,000 has been recognised as share premium.

(b) 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.

The Company does not have any share option scheme.

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

36. RESERVES

a) Capital reserve

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

b) Statutory surplus reserve

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

c) Translation reserve

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

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, other borrowings, short-term debentures and notes, medium-term debentures and bonds and guaranteed notes as disclosed in notes 29, 30, 31 and 32, to the financial statements, and cash and cash equivalents and equity attributable to owners of the parent, comprising issued share capital as disclosed in note 35 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.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 RMB'000	2015 RMB'000 (Restated)
Financial assets		
Financial assets at FVTPL	**27,678**	–
Loans and receivables (including cash and cash equivalents)	**29,457,149**	18,090,403
	29,484,827	18,090,403
Financial liabilities		
Financial liabilities at FVTPL	**1,691**	–
Other financial liabilities at amortised cost	**93,420,446**	68,755,832
	93,422,137	68,755,832

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, 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, other borrowings, short-term debentures and bonds, medium-term debentures and bonds and guaranteed notes. 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.

38. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

(i) Currency risk

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

	Assets		Liabilities	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States Dollar ("US$")	**2,280,035**	797,788	**16,194,497**	19,144,625
Hong Kong Dollar ("HK$")	**32,705**	63,069	**273,257**	–
IDR	**397,781**	3,016	**69,667**	2,180

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2015: 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 and other equity where RMB strengthen 5% (2015: 5%) against the relevant currency. For a 5% (2015: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	2016	2015
	RMB'000	RMB'000
Effect on post-tax profit:		
US$ (note 1)	**567,949**	737,295
HK$ (note 2)	**10,043**	(2,660)
IDR (note 3)	**(55,628)**	(31)

Notes:

1. This is mainly attributable to the exposure outstanding on US$ of interest in associates, 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.

38. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

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, other borrowings, short-term debentures and notes, medium-term debentures and bonds and guaranteed notes. The Group aims at keeping borrowings at fixed rates.

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

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

Sensitivity analysis

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

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

	2016 **RMB'000**	2015 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(10,699)**	(41,134)
As a result of decrease in interest rate	**10,699**	41,134

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.

38. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk

The Group's credit risk is primarily attributable to its loans to associates, trade receivables, bills receivable, other receivables, restricted bank deposits and bank balances. At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the 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 25% (31 December 2015: 67%) and 62% (31 December 2015: 92%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group has concentration of credit risk in respect of bank's acceptance bills receivable as the Group's largest bills receivable from bank represented 10% (2015: 12%) of the total bills receivable as at 31 December 2016. In addition, the Group's bills receivable from the top five major banks represented 37% (2015: 36%) of the total bills receivable as at 31 December 2016.

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

(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, other borrowings, short-term debentures and notes and medium-term debentures and bonds. 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.

38. 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	93,420,466
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	–

38. 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 2015							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	2,822,728	1,367,842	620,136	2,440,988	–	7,251,694	6,791,977
Floating-rate bank borrowings	4,818,502	3,684,777	3,412,536	5,896,695	–	17,812,510	16,584,615
Other borrowings	75,000	–	–	–	–	75,000	75,000
Short-term debentures and notes	9,392,258	5,199,100	–	–	–	14,591,358	14,000,000
Medium-term debentures and bonds	531,180	217,050	748,230	10,081,890	3,591,430	15,169,780	11,905,771
Trade and bills payables	5,754,305	–	–	–	–	5,754,305	5,754,305
Other payables	9,138,203	–	–	–	–	9,138,203	9,138,203
Guaranteed notes	165,993	165,993	2,830,398	2,015,045	–	5,177,429	4,505,961
	32,698,169	10,634,762	7,611,300	20,434,618	3,591,430	74,970,279	68,755,832

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 and 2015, the aggregate undiscounted principal amounts of these bank loans amounted to approximately RMB4,855,900,000 and nil respectively. The corresponding aggregate interest amounts of the bank borrowing amounted to approximately RMB199,727,000 and nil respectively.

38. 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 2016			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total 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**

	31 December 2015			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Derivative financial assets				
– Interest rate swap contracts	–	–	–	–
– Foreign currency swap contracts	–	–	–	–
– Capped forward contracts	–	–	–	–
Financial liabilities at FVTPL				
Derivative financial liabilities				
– Futures	–	–	–	–

There were no transfers between levels of fair value hierarchy in the current and prior years.

38. 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
		31/12/2016 RMB'000	31/12/2015 RMB'000	
Interest rate swap contracts	Level 2	**11,123**	N/A	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	**8,024**	N/A	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**	N/A	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)**	N/A	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

38. FINANCIAL INSTRUMENTS (Continued)

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

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The chief financial officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports findings to the board of directors of the Company semi-annually to explain the cause of fluctuations in the fair values of the assets and liabilities.

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

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade receivables, bills receivables, financial assets included in prepayments and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, bank borrowings – due within one year, other borrowing – due within one year, short-term debentures and notes approximate to their carrying amounts largely due to the short term maturities of these instruments. Except as detailed in the following table, the directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2016		31 December 2015	
	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	**22,190,757**	**24,579,485**	3,260,277	3,417,138
Unlisted				
Medium-term bonds due after one year	**17,529,303**	**18,652,863**	8,645,494	8,973,506
Guaranteed notes	**4,838,872**	**4,977,222**	4,505,961	4,689,619
Bank borrowings – due after one year	**1,463,770**	**1,543,346**	11,465,162	11,459,941

38. FINANCIAL INSTRUMENTS (Continued)

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

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

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

		As at 31 December 2016		
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB000**
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	**–**	**4,977,222**	**–**	**4,977,222**
Bank borrowings due after one year	**–**	**1,543,346**	**–**	**1,543,346**
	24,579,485	**25,173,431**	**–**	**49,752,916**

		As at 31 December 2015		
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	3,417,138	–	–	3,417,138
Medium-term bonds due after one year – unlisted	–	8,973,506	–	8,973,506
Guaranteed notes	–	4,649,619	–	4,649,619
Bank borrowings due after one year	–	11,459,941	–	11,459,941
	3,417,138	25,083,066	–	28,500,204

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 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.

39. ACQUISITION OF A SUBSIDIARY

On 30 June 2016, the Group acquired 100% of the unquoted share capital of Binzhou Beihai Xinhe New Material Co., Ltd. ("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.

39. ACQUISITION OF A SUBSIDIARY (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 RMB113,988,000, attributable to the additional business generated by Beihai Xinhe. Revenue for the year includes approximately RMB52,663,000 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.

In determining the "pro-forma" revenue and profit of the Group had Beihai Xinhe been acquired at the beginning of the current year, the directors of the Company have:

- calculated depreciation of property, plant and equipment and amortisation of 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.

40. DISPOSAL OF A SUBSIDIARY

On 3 October 2016, Shandong 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 Shandong 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 inflow arising on disposal:	
Cash consideration received	5,000
Less: cash and cash equivalents disposed of	(1,881)
	3,119

41. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and other 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:

	2016 **RMB'000**	2015 RMB'000
Restricted bank deposits (note 26)	**393,976**	601,417
Property, plant and equipment (note 17)	**–**	326,900
	393,976	928,317

42. OPERATING LEASES

The Group as lessee

	2016 RMB'000	2015 RMB'000
Minimum lease payments paid under operating leases for premises	**10,577**	5,701

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:

	2016 RMB'000	2015 RMB'000
Within one year	**7,868**	4,684
In the second to fifth year inclusive	**7,942**	1,233
	15,810	5,917

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.

43. COMMITMENTS

	2016 RMB'000	2015 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**3,307,392**	6,374,696

44. 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**
Chuangye Group (note i)	note ii
濱州魏橋鋁業科技有限公司 (“Aluminum Technology”) (note i)	Controlled by Chuangye Group
濱州魏橋科技工業園有限公司 (“Binzhou Industrial Park”) (note i)	Controlled by Chuangye Group
Chongqing Weiqiao (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

44. RELATED PARTY TRANSACTIONS (Continued)

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 ultimate holding company of the Company, has a significant non-controlling beneficial interest in Chuangye Group, and is also the director of Chuangye Group.

During the year, the Group entered into the following transactions with related parties:

	Notes	2016 RMB'000	2015 RMB'000
Purchases of carbon anode blocks			
– Aluminum Technology	(a)	**–**	244,292
Purchases of water			
– Jinsha Water Supply	(b)	**24,643**	5,676
Purchases of bauxite			
– ABM	(a)	**1,014,748**	179,646
Sales of slag of carbon anode blocks			
– Aluminum Technology	(a)	**–**	14,847
Sales of steam			
– Binzhou Industrial Park	(b)	**26,709**	13,592
Loans to associates			
– WAP	(a)	**227,760**	292,212
– SMB	(a)	**242,794**	–
Factoring of bills receivables			
–Chongqing Weiqiao	(a)	**232,000**	–

44. RELATED PARTY TRANSACTIONS (Continued)

The following balances were outstanding at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Loans to associates		
WAP	**519,972**	292,212
SMB	**242,794**	–
Trade payables		
ABM	**110,908**	116,445
Jinsha Water Supply	**4,165**	1,233

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.

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.

44. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

	2016 RMB'000	2015 RMB'000
Short term employee benefit	**5,729**	5,654
Retirement benefits scheme contributions	**58**	49
	5,787	5,703

Further details of the directors' and chief executive's emoluments are included in note 13 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:

	2016 RMB'000	2015 RMB'000
Chuangye Group	**450,000**	450,000

45. 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 2016, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB82,848,000 (2015: RMB89,695,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

46. LITIGATION

In prior year, 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 an aggregate amount of approximately 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 2016 based on the opinion provided by the PRC legal counsel acting on behalf of Beihai Xinhe.

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

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**349**	429
Investment in subsidiaries		**10,446,021**	10,300,662
Amount due from subsidiaries	(i)	**14,810,574**	13,151,529
Other financial assets		**14,631**	–
		25,271,575	23,452,620
Current assets			
Prepayment and other receivables		**453,637**	94,095
Amount due from subsidiaries	(i)	**–**	32,468
Other financial assets		**6,211**	–
Cash and cash equivalents		**948,311**	13,088
		1,408,159	139,651
Current liabilities			
Other payables		**36,743**	47,340
Amounts due to subsidiaries	(i)	**3,058,165**	2,361,920
Bank borrowings – due within one year		**4,781,996**	–
Guaranteed notes		**2,768,436**	–
		10,645,340	2,409,260
Net current liabilities		**(9,237,181)**	(2,269,609)
Total assets less current liabilities		**16,034,394**	21,183,011
Non-current liabilities			
Amount due to subsidiaries	(i)	**–**	1,378,060
Bank borrowings – due after one year		**–**	3,768,990
Guaranteed notes		**2,070,436**	4,505,961
		2,070,436	9,653,011
Net assets		**13,963,958**	11,530,000
Capital and reserves			
Share capital		**474,057**	415,834
Reserves	(ii)	**13,489,901**	11,114,166
Total equity		**13,963,958**	11,530,000

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

Note:

(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 RMB'000	Total RMB'000
At 1 January 2015	6,154,439	3,193,854	1,195,910	10,544,203
Shares issued	1,087,444	–	–	1,087,444
Profit and total comprehensive income for the year	–	–	850,476	850,476
Dividend recognised as distribution	–	–	(1,367,957)	(1,367,957)
At 31 December 2015 and 1 January 2016	7,241,883	3,193,854	678,429	11,114,166
Shares issued	3,163,917	–	–	3,163,917
Shares issue expenses	(12,657)	–	–	(12,657)
Profit and total comprehensive income for the year	–	–	155,180	155,180
Dividend recognised as distribution	–	–	(930,705)	(930,705)
At 31 December 2016	10,393,143	3,193,854	(97,096)	13,489,901

* Share reserve represented capitalisation of amount due to a related party in prior year.

48. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2016 and 2015 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 Company		Principal activities
				Directly		Indirectly				
				2016 %	2015 %	**2016** %	2015 %	**2016** %	2015 %	
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	**-**	–	Investment holding
PT. Well Harvest Winning Alumina Refinery ("PT Well")	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	**61**	60	**-**	–	**61**	60	Manufacture and sale of alumina
Hongqiao International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	**-**	–	**100**	100	**-**	–	Trading of bauxite
山東宏橋新型材料有限公司 Shandong Hongqiao New Material Co., Ltd ("Shangdong Hongqiao") *	PRC	Ordinary Shares	US$1,533,120,000	**-**	–	**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**	–	**-**	–	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**	–	**-**	–	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	RMB700,000,000	**-**	–	**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	**-**	–	Manufacture and sale of aluminum products

48. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly				
				2016 %	2015 %	**2016 %**	2015 %	**2016 %**	2015 %	
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**	–	**-**	–	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**	–	**-**	–	Research and development, sale of bauxite, manufacture and sale of aluminum products
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**	–	**-**	–	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**	–	**-**	–	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**	–	**-**	–	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	**-**	–	Manufacture and sale of aluminum products
濱州市沾化區匯宏新材料有限公司 Zhanhua Country New Aluminum Profiles Co., Ltd. ("Zhanhua Huihong") *	PRC	Ordinary Shares	RMB1,836,540,000/ RMB3,000,000,000	**-**	–	**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	**-**	–	Manufacture and sale of aluminum products

48. 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 2016 %	Directly 2015 %	Indirectly 2016 %	Indirectly 2015 %	Proportion of voting power held by the Company 2016 %	2015 %	Principal activities
濱州北海匯宏新材料有限公司 Binzhou Beihai New Aluminum Profiles Co., Ltd. *	PRC	Ordinary Shares	RMB2,744,280,000/ RMB3,000,000,000	-	–	100	100	-	–	Manufacture and sale of aluminum products
濱州市濱北新材料有限公司 Binzhou Binbei New Aluminum Profiles Co., Ltd ("Binbei Aluminum")*	PRC	Ordinary Shares	RMB1,500,000,000	-	–	100	100	-	–	Manufacture and sale of aluminum products
山東宏橋融資租賃有限公司 Shandong Hongqiao Financial Leasing Co., Ltd. ("Hongqiao Financial Leasing")*	PRC	Ordinary Shares	US$200,000,000	-	–	100	100	-	–	Financial leasing
濱州魏橋環保科技有限公司 Binzhou Weiqiao Environmental and Technology Co., Ltd.*	PRC	Ordinary Shares	RMB5,000,000	-	–	-	100	-	–	Environmental protection and inspection
山東宏帆實業有限公司 Shandong Hongfan Industrial Co., Ltd.*	PRC	Ordinary Shares	RMB1,000,000,000	-	–	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	-	–	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	-	–	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	-	–	Manufacture and sale of aluminum products
濱州市北海信和新材料有限公司 Binzhou Municipal Beihai Xinhe New Material Co., Ltd.* (note i)	PRC	Ordinary Shares	RMB1,218,370,000/ RMB2,100,000,000	-	–	100	–	-	–	Manufacture and sale of aluminum products

* *For identification purpose only.*

Notes i: New subsidiary acquired/set up during the year

48. 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.

None of the subsidiaries had any debt securities issued at the end of both years ended or anytime during both years.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong and the PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2016	2015
Sales of aluminum products	The PRC	**1**	–
Sales of scrap materials	The PRC	**1**	–
Capital investor	The PRC	**1**	–
Various trading business	The PRC	**1**	–
		4	–

None of the subsidiaries have non-controlling interests that are material to the Group.

49. EVENT AFTER THE REPORTING PERIOD

a) On 17 January 2017, Shandong Hongqiao New Material Co., Ltd. (the “Seller”), an indirect wholly-owned subsidiary of the Company and Chongqing Weiqiao Financial Factoring Co., Ltd (“Chongqing Weiqiao”) entered into the Factoring Agreement for a term ending 31 December 2019, pursuant to which Chongqing Weiqiao agreed to provide the Sellers with account receivables factoring services. Chongqing Weiqiao is owned as to 55% by Chuangye Group, which is in turn held as to 31.59% by Mr. Zhang Shiping, an executive Director and controlling shareholder of the Company. Therefore, Chongqing Weiqiao is deemed as a connected person of the Company under the Rule 14A.12 (1) (c) of the Listing Rules. Accordingly, the transactions between the Sellers and Chongqing Weiqiao constitute Continuing Connected Transactions under Rule 14A.23 of the Listing Rules. Details of which are set out in the announcement of the Company dated 17 January 2017.

b) On 14 August 2016 and 19 January 2017, Shandong Hongqiao, a indirect wholly-owned subsidiary of the Company, entered into two share transfer agreements with Mr. Yu Rongqiang respectively in relation to the acquisition of 261,096,605 shares of Shandong Hongchuang Aluminum Industry Holding Company Limited (formerly known as Loften Environmental Technology Co., Ltd.) (the “Target Company”) (the “Target Shares”), representing approximately 28.18% equity interests in the Target Company (the Acquisition”).

Despite that the Group acquired only 28.18% of the equity interest of Hongchuang, the Group is the largest shareholder of Hongchuang and is able to obtain control over Hongchuang. The Acquisition was completed on 21 April 2017. Further details are set out in the announcement of the Company dated 19 January 2017 and 21 April 2017.

49. EVENT AFTER THE REPORTING PERIOD (Continued)

b) (Continued)

The acquisition has been accounted for using the acquisition method. There was provisional goodwill arising as a result of the acquisition. The Target Company is engaged in aluminum plate and strip manufacture business. The Target Company was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration transferred	RMB'000
Cash	1,999,618

The fair values of 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 and bills payables	(56,558)
Other payables and accruals	(8,892)
Bank borrowings	(100,000)
Deferred tax liabilities	(35,220)
Net identifiable assets acquired	1,337,580
Non-controlling interest	(960,650)
Goodwill arising on acquisition	1,622,688
Fair value of consideration	1,999,618

The non-controlling interest (71.82%) in the Target Company recognised at the acquisition date was measured by proportionate share of net assets acquired and amounted to approximately RMB960,650,000.

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 year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

49. EVENT AFTER THE REPORTING PERIOD (Continued)

b) (Continued)

Goodwill arose in the acquisition of Target Company 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 Target Company. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Hongchuang

	RMB'000
Cash consideration	1,999,618
Less: cash and cash equivalent balances acquired	(531,908)
Less: deposits paid	(899,515)
Net cash outflow arising on acquisition	568,195

On 17 April 2017, Shandong Hongtuo Industrial Company Limited, a wholly-owned subsidiary of the Company, Loften entered into a termination agreement in order to terminate the share subscription agreement signed on 5 December 2016 in relation to 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.

c) On 10 February 2017, Shandong Weiqiao and an independent third party entered into a loan agreement, pursuant to which Shandong Weiqiao agreed to provide loan of not more than RMB15 billion to the third party for working capital purpose. Loan drawn down by the third party under the agreement has a loan term of 1 year and bears interest at 7% p.a. Up to the date of this report, the total principal plus interest outstanding from the third party amounted to approximately RMB10,368,325,000.

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 is still in the preparatory stage and no formal agreement has been signed. 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.

49. EVENT AFTER THE REPORTING PERIOD (Continued)

d) On 20 March 2017, the Company and CTI Capital Management Limited (中信信惠國際資本有限公司, "CTICM") entered into a memorandum of understanding (the "MOU"), pursuant to which CTICM intended to subscribe new shares (the "Subscription Shares") of the Company to be allotted and issued by the Company (the "Possible Subscription"). Upon the completion of the Possible Subscription, CTICM will become the shareholder of the Company holding not more than 10% of the issued share capital of the Company as enlarged by issue of the Subscription Shares.

On 7 July 2017, CTICM and the Company entered into a supplemental agreement to the MOU (the "Supplemental Agreement"), pursuant to which CTICM and the Company agreed to amend and/or supplement certain terms of the MOU, including the extension of due diligence period and exclusivity period from 3 months to 6 months from 20 March 2017.

Further details of the above agreements are set out in the announcements of the Company dated 20 March 2017 and 7 July 2017. Up to the date of this report, the Possible Subscription has not been completed.

e) 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.

Up to the date of this report, in response to the relevant governmental regulations, decisions and action plans in Chinese aluminum industry, Shandong Hongqiao, an indirect wholly-owned subsidiary, has shut down projects with annual production capacity of approximately 2,680,000 tonnes of aluminum products. Up to the date of this report, the total production capacity being shut down represented approximately 29% of the Group's total production capacity of aluminum products. Further details are set out in the announcements of the Company dated 15 August 2017.

f) On 26 June 2017 ("Maturity Date"), the 2017 Guaranteed Notes matured and the Company has redeemed the 2017 Guaranteed Notes in full at their principal amount together with interest accrued to the Maturity Date.

g) On 28 June 2017, China CITIC Bank Corporation Limited ("CITIC Bank") and the Company entered into a strategic cooperation agreement (the "Strategic Cooperation Agreement"), pursuant to which, (i) CITIC Bank agreed to grant the comprehensive credit of not more than RMB20 billion to the Company in the next two years subject to relevant regulations of the People's Bank of China and China Banking Regulatory Commission and the internal risk management systems of CITIC Bank; and (ii) CITIC Bank agreed to provide the Company with other comprehensive financial services, including but not limited to cash management of the Group's accounts, supply chain finance, investment banking service, wealth management service, international trade service, assets management service, capital market service, etc. Further details are set out in the announcement of the Company dated 28 June 2017.

h) Between 1 August 2017 and 7 August 2017, certain bondholders of Enterprise bonds B activated the early redemption clause to redeem the bonds at a redemption price equal to 100% of the principal plus unpaid interest. On 21 August 2017, Enterprise bonds B with carrying amounts of approximately RMB731,664,000 was successfully redeemed and is therefore classified as current liabilities on the consolidated statement of financial position.

49. EVENT AFTER THE REPORTING PERIOD (Continued)

i) On 15 August 2017, the Company entered into the Share Placing Agreement with the Share Subscriber, being an independent third party, pursuant to which the Share Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 806,640,670 Placing Shares at the Placing Price of HK$6.80 per Placing Share.

The Placing Shares represent (i) approximately 11.11% of the existing issued share capital of the Company as at 15 August 2017; and (ii) 10.00% of the issued share capital of the Company as enlarged by the Placing Shares (assuming there is no other change in the share capital of the Company between the date of the Share Placing Agreement and the Share Placing Completion Date). The Placing Shares will be issued under the Share Specific Mandate and will rank pari passu in all respects among themselves and with the existing Shares.

Further details are set out in the announcement of the Company dated 15 August 2017. Up to the date of this report, the Placing Shares have not been issued, pending from shareholders' approval and fulfillment of the Resumption Conditions.

j) On 15 August 2017, the Company entered into the convertible bonds placing agreement with CTICM (the "Purchaser") and CNCB (Hong Kong) Capital Limited, (the "Lead Manager"), both being independent third parties, pursuant to which the Company has agreed to issue and the Lead Manager has conditionally agreed to procure the Purchaser to subscribe and pay for the Convertible Bonds on a best efforts basis. The Convertible Bonds will be issued with an initial principal amount of US$320,000,000.

The initial Conversion Price (subject to adjustment) is HK$8.16, representing (i) a premium of approximately 15.74% over the closing price of the Shares as quoted on the Stock Exchange on 21 March 2017, (the "Last Trading Day"), and (ii) a premium of 14.80% to the average closing price of the Shares over the last five (5) consecutive trading days up to and including 21 March 2017, being the Last Trading Day.

Further details are set out in the announcement of the Company dated 15 August 2017. Up to the date of this report, the Convertible Bonds have not been issued, pending from shareholders' approval and fulfillment of the Resumption Conditions.

50. 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.