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IMPORTANT NOTICE

CHINA HONGQIAO GROUP LIMITED

中國宏橋集團有限公司

(Incorporated in the Cayman Islands with limited liability)

US$500,000,000 6.25% Senior Notes due 2024

Issue Price: 100%

Our 6.25% Senior Notes due 2024 (the "Notes") will bear interest from June 8, 2021 at 6.25% per annum payable semi-annually in arrears on June 8 and December 8 of each year, commencing December 8, 2021. Unless previously repurchased or redeemed, the Notes will mature on June 8, 2024.

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NOTICE TO INVESTORS

Singapore Securities and Futures Act Product Classification – In connection with Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

IN CONNECTION WITH THIS OFFERING, EACH INITIAL PURCHASER, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. HOWEVER, EACH INITIAL PURCHASER, OR ANYONE ACTING FOR IT, IS NOT OBLIGATED TO DO THIS. IF THESE ACTIONS ARE COMMENCED, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME.

The Notes are expected to be rated "B1" by Moody's, "B+" by S&P, "BB" by Fitch and "BB+" by Lianhe Global. The rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by Moody's, S&P, Fitch or Lianhe Global. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

We, having made all reasonable inquiries, confirm that: (i) this offering memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this offering memorandum and the Notes and the Subsidiary Guarantees that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this offering memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this offering memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, the Notes and the Subsidiary Guarantees, the omission of which would, in the context of the issue and offering of the Notes, make this offering memorandum, as a whole, misleading in any material respect; and (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements. We accept responsibility accordingly.

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any ot0.5(e)-5(xpr1).5(e)(5N-1.4(o)-4ng)]Ts.

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their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers, the Trustee and the Agents and their respective affiliates or advisors, to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company or the Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers, the Trustee and the Agents and their respective affiliates or advisors have not independently verified the information contained herein (financial, legal or otherwise). The Initial Purchasers, the Trustee and the Agents and their respective affiliates or advisors accordingly, to the fullest extent permitted by law, disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additionnt364.9(a)1.3(,)-foo

ENFORCEABILITY OF CIVIL LIABILITIES

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability, and our Subsidiary Guarantors are incorporated in either the British Virgin Islands or Hong Kong with limited liability. As substantially all of our business is conducted, and substantially all of our assets are located, in the PRC (as defined herein), our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. In addition, most of our directors and senior officers reside in the PRC, and the assets of our directors and officers may also be located in the PRC. As a result, it may be difficult for investors to effect service of process upon us or such persons, or to enforce against us or such persons judgments obtained in courts or arbitral tribunals outside the PRC or the Cayman Islands, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States or the securities laws of any state or territory of the United States.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view towards developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has si

We have been advised by our British Virgin Islands legal advisors, Conyers Dill & Pearman, that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts in the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (a) such courts had proper jurisdiction over the parties subject to such judgment, (b) such courts did not contravene the rules of natural justice of the British Virgin Islands, (c) such judgment was not obtained by fraud, (d) the enforcement of the judgment would not be contrary to the public policy of the British Virgin Islands, (e) no

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this offering memorandum, all references to "we," "us," "our Company" and "Group" refer to China Hongqiao Group Limited and, as the context requires, its subsidiaries; all references to "our IPO" mean our initial public offering of our Shares listed on The Hong Kong Stock Exchange in March 2011; all references to "US$," "USD" and "U.S. dollars" are to United States dollars; all references to "RMB" or "Renminbi" are to Renminbi, the official currency of the People's Republic of China; all references to "PRC" and "China" are to the People's Republic of China, excluding the Hong Kong Special Administration Region of the PRC, the Macau Special Administration Region of the PRC and Taiwan.

FORWARD-LOOKING STATEMENTS

In this offering memorandum, unless the context otherwise requires, the following expressions shall have the following meanings.

"2016 Negative Report" .	The negative report against our Company published by a website (http://hongqiaoexposed.com) with unknown origins in November 2016.
"2017 Negative Reports" .	The First 2017 Negative Report and the subsequent negative reports against our Company published by Emerson Analytics Co. Ltd. dated October 30, 2017 and November 14, 2017.
"Aluminum & Power" . . .	山東□□鋁電有限公□ (Shandong Weiqiao Aluminum and Power Co., Ltd.), a limited liability company incorporated under the laws of the PRC on December 25, 2002 and an indirect subsidiary of our Company.
"Antaike"	□京安泰科□息□發有限公□ (Beijing Antaike Information Development Co., Ltd.), an independent specialist market research company engaged by the Company.
"Audit Findings"	The audit findings set out in the letter sent from Ernst & Young on February 28, 2017 after Ernst & Young carried out additional audit procedures for the year ended December 31, 2016.
"Board of Directors" or "Board".	Our board of Directors.
"BVI"	The British Virgin Islands.
"CAGR"	Acronym for compound annual growth rate.
"Chuangye Group"	山東□□創業集團有限公□ (Shandong Weiqiao Chuangye Group Company Limited), a limited liability company established under the laws of the PRC on April 14, 1998, the name of which was changed in 2003 from Shandong Weiqiao Textile Group Company Limited (山東□□紡織集團有限公□), a limited liability company converted from its predecessor, Zouping County Weiqiao Cotton Spinning Factory (鄒平縣□□棉紡織廠). As of December 31, 2020, Zhang's Family directly and indirectly held an approximately 36.70% equity interest in Chuangye Group.
"Companies Act"	The Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands.
"Company", the "Issuer" or "our Company"	China Hongqiao Group Limited, a company incorporated on February 9, 2010 as an exempted company with limited liability under the laws of the Cayman Islands.
"Controlling Shareholders"	Has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Zhang's Family, Shiping Prosperity Private Trust Company, and Hongqiao Holdings who control the exercise of approximately 66.62% of the voting rights in a general meeting of our Company as of the date of this offering memorandum.
"Director(s)"	The director(s) of our Company.

"EIT Law"	The PRC Enterprise Income Tax Law passed by the National People's Congress of the PRC on March 16, 2007, which took effect on January 1,

"Indonesian Alumina Joint Venture Company"	PT. Well Harvest Winning Alumina Refinery, a limited liability company established and existing under the laws of the Republic of Indonesia and domiciled in Central Jakarta pursuant to a joint venture agreement entered into on December 27, 2012 by the Company, Winning Investment, PT. Cita and PT. Danpac with a total planned investment of not more than US$1.5 billion and in which the Group holds a 61% interest directly and indirectly.
"July 2019 Notes"	The 7.125% senior notes the Company issued on July 22, 2019 in the aggregate principal amount of US$300,000,000, which will mature on July 22, 2022.
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).
"Main Board"	The Main Board of the Hong Kong Stock Exchange.
"Ms. Zheng"	鄭淑良, Ms. Zheng Shuliang, the wife of Mr. Zhang, the mother of Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong and the mother-in-law of Mr. Yang Congsen.
"NDRC"	中華人民共和國國家發展和改革委員 (National Development and Reform Commission of the PRC).
"Negative Reports"	2016 Negative Report and 2017 Negative Reports.
"November 2017 CB"	The US$320,000,000 5.0% convertible bonds due 2022 issued by the Company on November 28, 2017.
"October 2019 Notes"	

"SAFE"	中華人民共和國國家外□管理局 (the State Administration of Foreign Exchange of the PRC).
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to

GLOSSARY

SUMMARY

- Efficient and advanced production facilities;
- High profile professional shareholders;
- Diversified financing channels with prudent financial management; and
- Experienced management team with established track record.

Our Strategies

We seek to further strengthen our established market position in the aluminum industry in China. We aim to continue the trend of sustainable growth of our businesses and remain competitive. To achieve this, we intend to implement the following strategies:

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CBI 2021 F

On March 30, 2021, we entered into a facility agreement with, among others, CBI as facility agent (the "CBI March 2021 Facility"), pursuant to which CBI agreed to advance to us term loans of up to US$200 million (including a greenshoe option) for, among others, the refinancing of our existing indebtedness and general corporate purposes. See "Description of Other Material Indebtedness – Term Loan Facility Agreements – The CBI March 2021 Facility" for further information.

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On April 30, 2021, in order toin8tur346.th(o)-5.(der)-399.exp(o)-5.a(andth(o)-5.(nd)-8().6oity

THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering memorandum. Terms used in this summary and not othe defined shall have the meanings given to them in ''Description of the Notes.''

Issuer	China Hongqiao Group Limited (the ''Company'').
Notes offered	US$500,000,000 aggregate principal amount of 6.25% Senior Notes due 2024 (the ''Notes'').
Offering Price	100% of the principal amount of the Notes.
Maturity Date	June 8, 2024.
Interest	The Notes will bear interest from and including June 8, 2021 at the rate of 6.25% per annum, payable semi-annually in arrears.
Interest Payment Dates . . .	June 8 and December 8 of each Gti352.5(,08.4(.)-c51.9omm2(cembenc8(ffe2(ch)-354.3(De

The initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than the Restricted Subsidiaries organized under the laws of the PRC and the Indonesian Alumina Joint Venture Company and its subsidiaries and Winning Consortium Alumina Guinea SA.

The initial Subsidiary Guarantors are holding companies that do not have significant operations or assets.

None of the Restricted Subsidiaries organized under the laws of the PRC or Exempted Subsidiaries will provide a Subsidiary Guarantee on the Original Issue Date or at any time in the future. In addition, the Company may designate any Offshore Subsidiary as a New Offshore Non-Guarantor Subsidiary, subject to certain limitations.

Each future Restricted Subsidiary, as defined under "Description of the Notes – Definitions" (other than Subsidiaries organized under the laws of the PRC, the Initial Offshore Non-Guarantor Subsidiaries and Exempted Subsidiaries (as defined in the "Description of the Notes")), promptly upon becoming a Restricted Subsidiary, and each of its Exempted Subsidiaries, promptly after it ceases to be an Exempted Subsidiary, will

- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; and

- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Use of Proceeds . . . . . The Company estimates the net proceeds of this offering, after deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering, will be approximately US$493.9 million. The Company intends to apply the net proceeds from this offering for refinancing certain existing indebtedness with the remainder for general corporate purposes.

- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
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The following tables set forth summary consolidated financial information of our Group. We have derived the following summary consolidated financial information from our audited consolidated

As a measure of our operating performance, we believe that the most directly comparable IFRS measure to EBITDA is profit and other comprehensive income for the year. We use EBITDA in addition to profit and other comprehensive income for the year because profit and other comprehensive for the year includes many accounting items associated with capital expenditures, such as depreciation and amortization, as well as non-operating and non-recurring items, such as finance costs, foreign exchange losses and impairment loss. These accounting items may vary between companies depending on the method of accounting adopted by a company. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles our profit and other comprehensive income for the year under IFRS to our definition of EBITDA for the periods indicated.

	For the Year Ended December 31,			
	2018 RMB	2019 RMB	2020 RMB	2020 US$
		(in thousands)		
Profit and other comprehensive income for the year	5,786,252	6,455,143	10,444,751	1,600,728
Interest income	(691,914)	(418,408)	(514,800)	(78,897)
Finance costs	4,433,389	5,219,595	4,506,236	690,611
Taxation	2,549,440	2,315,924	2,259,599	346,299
Depreciation and amortization	7,346,576	7,413,708	6,900,988	1,057,623
Foreign exchange losses (gains)	794,178	178,459	(320,832)	(49,170)
Impairment loss recognised in respect of goodwill	656,945	–	330,595	50,666
Impairment loss recognised in respect of property, plant and equipment	–	1,727,404	162,283	24,871
Reversal of impairment of property, plant and equipment	–	(968,480)	–	–
Loss on disposal of a subsidiary	648,772	–	–	–
EBITDA	21,523,638	21,923,345	23,768,820	3,642,731

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

(3) Total debt is calculated as the total of short-term and long-term bank and other loans, short-term and medium-term debentures and convertible bonds (including liability and derivative components) and guaranteed notes.

(4) Net debt is calculated as total debt minus restricted bank deposits and bank balances and cash.

Statements of Financial Position

	As of December 31,			
	2018 RMB	2019 RMB	2020 RMB	2020 US$
	(in thousands)			
NON-CURRENT ASSETS				
Property, plant and equipment	76,361,390	71,019,374	64,750,361	9,923,427
Right-of-use assets	–	5,152,415	5,646,551	865,372
Intangible assets	22,673	24,884	27,429	4,204
Prepaid lease payments	4,915,054	–	4,053	621
Investment properties	143,606			

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RISK FACTORS

You should carefully consider the risks described below and all other information contained in this offering memorandum before making an investment decision. You should pay particular attention to the

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Almost all of our existing PRC aluminum manufacturing facilities, and our thermal power stations are located within or in close proximity to Zoupin

operations. Any disruption in our operations could have a material adverse impact on our ability to produce sufficient quantities of products or may require us to incur significant expenses in order to produce sufficient quantities to meet our contractual obligations, and could impair our ability to meet the demand of customers and result in customers cancelling their purchase orders, any of which could materially and adversely affect our business,

2016 2017

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From time to time, our Company may face negative publicity or unfavorable research reports relating to our business, financial performance, financial reporting or operations. For example, in the end of 2016 and beginning of 2017, we became aware of several reports that were published containing a number of negative allegations regarding our Group, including, among others, that our Company under-reported key costs, concealed related parties and related party transactions, and falsified cash position and other financial positions. For instance, the 2017 Negative Reports alleged, among other things, that (a) our power-generation cost was 40% higher than disclosed cost; (b) our disclosed power unit cost was not in line with the price trend of coal; (c) we purchase alumina from Gaoxin, an undisclosed related party, at a price lower than market price constituting a subsidy to our Group; (d) we continuously booked negative free cash flow with significant debt size increase; and (e) our capital expenditures have continued to increase. In response to these negative allegations, our Company has provided a detailed refutation of the allegations contained in the Negative Reports in a number of public announcements, including the announcements of our Company dated November 23, 2016 and December 20, 2016, October 25, 2017, November 12, 2017 and November 14, 2017. To help investigate and confirm the issues involved, we also engaged BT Risk Assurance, an independent third party professional service firm, to carry out certain agreed-upon procedures in relation to the allegations in the Negative Reports and the Audit Findings. BT Risk Assurance carried out the agreed-upon procedures and presented its findings to the Board and the Audit Committee of our Group in July 2017. Based upon the agreed-upon procedures it performed, BT Risk Assurance did not identify any material discrepancies or anomalies in our cost reporting, related party transaction disclosure, liquidity profile/cash balance, CAPEX and profitability, tracing back to 2013.

Nonetheless, such allegations have seriously damaged our Company's corporate image, credit and reputation, and have caused significant fluctuation in the share price of our Company. In order to protect the interest of Shareholders and potential investors of our Company, we have engaged special legal counsel and filed a lawsuit against the relevant parties in court in Hong Kong to seek remedy for defamation. However, there can be no assurance that we will win our court case. There can also be no assurance that new reports will not be published containing the same or further allegations regarding the Company and our business. Although we may, as we did in the past, defend ourselves against any such allegations through legal and administrative proceedings as appropriate, we cannot assure you that such proceedings will result in a ruling or decision to our favor nor that the negative publicity effect imposed by those allegations would be eliminated or reduced upon a positive ruling. Any such negative publicity or unfavorable research reports, even if malicious or prepared on an unfounded factual basis, could have a material adverse effect on the trading price of the Notes and our Shares, and further damage our Company's reputation, business and results of operations.

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As a result of the Negative Reports, we suspended trading in our shares on the Hong Kong Stock Exchange on March 22, 2017. This suspension was to allow time for BT Risk Assurance, an independent third party professional service firm, to carry out certain agreed-upon procedures in relation to allegations in the Negative Reports and the Audit Findings before finalizing and publishing our annual results for 2016. Our then auditors, Ernst & Young, citing the inability of the Company and Ernst & Young to reach a consensus in relation to an independent investigation on its Audit Findings, resigned as the auditors of our Group with effect from April 27, 2017. Subsequently, pursuant to a letter from the Hong Kong Stock Exchange, certain conditions for resumption of trading in our Shares were set out, including that we address the Audit Findings and clarify the allegations in the 2016 Negative Report and the 2017 Negative Report, publish all outstanding financial results and address any audit qualifications and inform the market of all material information. Following the appointment of SHINEWING (HK) CPA Limited as the new auditors of the Company on August 31, 2017, we

announced our annual results for 2016 and our interim results for 2017 on October 27, 2017. With all the conditions for the resumption of trading in our Shares being fulfilled, trading of our Shares on the Hong Kong Stock Exchange resumed with effect from October 30, 2017. Although we currently do not foresee any future suspension of trading in our shares or any delay in the release of our annual or interim results or further change of our auditors, we cannot assure you that such events could not recur in the future. If the trading in our Shares on the Hong Kong Stock Exchange is suspended in the future, or we change our auditors or otherwise are unable to release our financial results in a timely manner, our reputation, business, financial condition and results of operations, as well as the trading price of the Notes may be materially and adversely affected.

In addition, the financing agreements that we enter into from time to time in the ordinary course of business may contain customary information undertakings, including the requirement to furnish our annual and interim results to the respective lenders within the timeline specified therein. If we are unable to comply with the terms in our existing and future debt obligations and other agreements, there could be a default under the relevant obligations and agreements. If this were to occur, the lenders under such borrowings could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. We cannot assure you that we will be always able to furnish our annual results and interim results in time or obtain a waiver from the relevant lenders to extend the timeline specified in the future, which may cause acceleration of the outstanding indebtedness and hence have a material and adverse effect on our business, financial condition and results of operations.

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We rely on a limited number of large suppliers to provide us with the raw materials and energy we need to produce our aluminum products. In 2018, 2019 and 2020, our five largest suppliers together accounted for approximately 38.0%, 41.9%, and 43.3%, respectively, of our total procurement costs, with our largest supplier accounting for approximately 14.4%, 21.7% and 16.8%, respectively.

If there is any material adverse change in the business, financial condition or results of operations of a major supplier, or if it enters into bankruptcy proceedings, our business, financial condition and results of operations could be materially and adversely affected. Moreover, if our current suppliers are unwilling or unable to provide us with alumina and electricity in required quantities and at commercially acceptable prices, or if they are required by relevant PRC regulatory authorities to comply with more stringent procedures and requirements than those currently in place, or if the relevant PRC regulatory authorities are of the view that the approval, construction, environmental or safety compliance of the production of alumina of our suppliers do not fully comply with relevant PRC laws, rules or regulations, or if they are ordered by relevant PRC regulatory authorities to change, suspend construction or production or close relevant production facilities as a result of any past, or future illegal operation, or any past or future non-compliance with relevant PRC laws, rules or regulations, resulting in inadequate or delayed supply of alumina or electricity to us, or if there is any material adverse change in the business, financial condition and results of operations of our suppliers, we may be unable to find alternative sources at the same price level offered by our existing suppliers or at otherwise commercially acceptable prices or terms in a timely manner, or at all, which would disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects.

In particular, alumina and electricity are two principal cost components of our cost of sales. Although we have increased our own in-house production, nonetheless, we expect to continue to purchase substantial amounts of alumina and electricity for the foreseeable future. We purchase alumina from a limited number of suppliers. In addition, in 2016 and 2017 we procured all electricity that we did not self-produce from a single external supplier, as we had done since January 2010. Beginning in January 2018, we stopped purchasing alumina and electricity from the supplier which had provided the majority

of our purchased alumina and all of our externally purchased electricity for the years ended December 31, 2016 and 2017, and for several before that and began purchasing each from a new supplier with which we have limited history.

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During recent years, we actively expanded our procurement channels of bauxite, which is the upstream production raw material of alumina, by importing bauxite from various places of origin including Indonesia, the Republic of India, Brazil, Malaysia and the Commonwealth of Australia as well as our own bauxite mining project in Guinea. However, if there is any change in the government policies and regulations for bauxite export in overseas' markets, we may encounter difficulties and challenges. For example, the Indonesian government imposed an export ban of the unprocessed ores, nickel and bauxite in 2014 (Indonesia's Law No. 4/2009 on Minerals and Coal Mining). The export of ores that are not processed to the required levels currently remains illegal. Failure to comply with the ban could result in producer companies losing their licenses to mine. If Indonesian regulators find that any of our suppliers in Indonesian failed to fulfill the specific terms under the applicable legislation, government regulators may levy fines, suspend or terminate licenses, or other governmental permissions. A suspension and/or the subsequent termination of licenses or refusal to renew licenses, and/or other governmental permissions or permits could materially adversely affect the ability of our suppliers to export bauxite. Export bans on bauxite in Indonesia which increase the transportation cost and the global bauxite price, may adversely affect China's aluminum product manufacturers, including our alumina suppliers and us.

Furthermore, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. If we fail to comply with any future environmental regulations, we may be required to pay substantial fines, suspend our manufacturing or even cease operations, and our reputation, business results of operations and financial condition may be adversely affected.

Financial responsibility for contaminated property may be imposed on us where our operations have had an environmental impact. Such liability may include the cost of investigating and remediating contaminated soil or ground water, fines and penalties sought by environmental authorities, and damages arising out of personal injury, contaminated property and toxic tort claims. The costs of such matters have not been material to our net income in the past. However, future remedial req

PRC. We may not be able to achieve the vertical integration that we are targeting. Any future expansion, in relation to our existing production line or new products, will alsour lceur sig(l)-39nificant demand on us to maintain the quality of our products. We will need to implemen(l)-39t a variety ofew an(l)-39d u8(l)-39grad(l)-39 o8(l)-6(eratio(l)-6(nal)-587.4(a).7(nd)-585(fina)-5(ncia)-5(l)-58(m)-7(a)-5(n)-5(agem)-5(ent)-5(,)-5(i)-5(ncluding)-5(,)-5(among)-5(other)-5(things,)-5(implementing)-5(effective)-5(cost)-5(control)-5(and)-5(enhancing)-5(our)-5(operational)-5(and)-5(management efforts. If we are unable to eur4.1(ffectively)-333.8(m)]TJ23.33120TD.0314Tc[(anage)-334(o)2.2(ur)-335

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As part of o(l)-6(u)1.1(r)-472.8(s)-.1(tra)-5(t)-1.3(egies)-5.8(,)-470.9(we)-471.6(may)-476.9(c).7(on)-tinue to evaluate reg(l)-8(i)-1.5(ons)-518.1(a)-5.2(n).9(d)-517(m)-2.3(ar)-6.4(kets.)-516.6(F(l)(or)-518.6(ex)-4.8(ample)-5.2(,)-516.6(in)-5 first phase of our join(l)-39t ventures alumina productionlant commencedration s in first half of 2016. Inaddition, in2015weentereinto joint venture angements with, ag others, China Yantai Port Group, United Mining Supply of Guinea(a F(l).1(renc)-5.3(h-inv)-4.9(e).4(sted)-574(co)-4.9(mpany)-574(i)-1.6 Guinea.

Mergers, acquisitions or joint ventures that we have entered into and may enter into in the future entail a number of risks that couldateriallydversely affect our business, results of operatio(l)-7(n)-613.6(a)-5.1(nd)]TJ0-1

- ourjoint venturemay benablerunwillin g to perform theirobligationsunder the joint venture arrangements, including theiro(l)-7(bliga)-5.1(t)-1.4(io(l)-7(ns)-353(to)-)46.1(ma)-5.1(ke)-352.2(req(l)-7(u actio(l)-5(ns)-352.8(contra)-4.9(ry)-351.6(to)-our instructions, requestsor 8(l)-39olicies;

- our joint venture partnersmay have financial diffi culties, which may affect theirability toperform theirrespectiveobligations underthejoint ventureuragreement;

- disputes may arise as tothe sco(l)-7(pe)-352.2(of)-353.4(respon(sibi)-5(l)-5(ities)-353.4(of)-353.4(each)-353.4(party)-353.4(to)-353.4(such)-353.4(joint)-353.4(venture)-353.4(arrangement;

- the resultsofoperatio(l)-7(ns)-353(of)-353.4(the)-352.2(j)-1.4(oint)-354.2(ven)-turecompany may not meet o(l)-7(on terms that are favorable or acceptable to us,or at all.

In addition, the operation of overseas businesses are subject the economic, political and social conditions in relevant local markets. Anydve rse change in the economic, political and social conditions orgovernment policiesin the relevant lo cal markets could have a materialadverse on the business and development of these ventures. We also lack experience of internatio(l5.2(nal)-354.7(o)-5.2(pera)-5. g)-391.3(a)-nd retainin(l)-3(g)-391.3(q(l)-3(u)1.4(alif)]TJ22.8020TD.0311Tc[(ied)-390.8(p)-3.8(ersonnel)-398.8(for)-398(i)-.5(nternational)- cial condition and results of operations could be materially and

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Our five largest customers accounted for approximately 59.4%, 55.1% and 59.0% of our revenue of continuing operations for 2018, 2019 and 2020, respectively. Our largest customer accounted for approximately 39.9%, 35.6% and 39.1% of our revenue of continuing operations for the same yl-5.3(m.4(r(he)1.7(3)-4W

snow. If our delivery time increases unexpectedly for these or any other reasons, our ability to deliver our aluminum products on time would be materially and adversely affected and result in delayed or loss of revenue. In addition, if fuel prices were to increase, our transportation costs would likely further increase. A prolonged transportation disruption or a significant increase in the cost of transportation could materially and adversely affect our business, financial condition and results of operations.

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Molten aluminum alloy has to be transported in specially designed containers to keep its temperature at 750˚C to 900˚C during delivery. Molten aluminum alloy is considered a hazardous good for transportation and special licenses and equipment are required for its transport. Prior to June 2016, we engaged a single service provider for the delivery of all of our molten aluminum alloy products. Since June 2016, we have used two transport companies for delivery of our molten aluminum alloy products. If our current carriers are unwilling or unable to continue to deliver molten aluminum alloy for us, it may be difficult to find alternative carriers due to the special requirements for molten aluminum alloy transport. If we are unable to find alternative carriers on satisfactory terms in a timely manner, or at all, our business, financial condition and results of operations would be materially and adversely affected.

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Aluminum production requires a stable supply of electricity in large quantities. Our electricity cost was approximately RMB25,613.7 million, RMB22,363.0 million and RMB22,315.4 million (US$3,420.0 million) for 2018, 2019 and 2020, respectively. We have been able to meet our electricity needs by generating electricity using our own thermal power stations and by purchasing from our existing external supplier. However, we may experience increased electricity costs, electricity shortages or disruptions in

million as of December 31, 2018, net current assets of RMB27,868.9 million as of December 31, 2019 and net current assets of RMB 24,082.3 million as of December 31, 2020, we cannot assure you we will not have net current liabilities again in the future, which could limit our working capital for the purposes of operations or capital for our future plans. We may need to raise additional funds to meet our

Our results of operations are subject to significant fluctuations. Some material factors affecting our results of operations include, but are not limited to:

- alterations in demand for our aluminum products;
- our customers' sales outlook, purchasing patterns and changes in inventory level;
- our effectiveness in managing the manufacturing processes and controlling costs;
- our ability to optimize our available manufacturing capability;
- changes in the cost and availability of raw materials

We may from time to time be involved in disputes with various parties involved in its business, including contractors, tenants, suppliers and purchasers. In addition, where regulatory bodies or governmental authorities disagree with our conduct in respect of our operations, we may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. There is no assurance that we will not be so involved in any major legal or other proceedings in the future, which may subject the Group to significant liabilities and materially and adversely affect our business, financial condition, results of operations and prospects.

As of the date of this offering memorandum, we had not been subject to any material product liability claims. However, we cannot assure you that we will not experience material losses arising from product liability claims in the future. We do not maintain any product liability insurance. If our products fail to meet the required specifications or quality standards, our business could be materially and adversely affected. We may also face liability claims due to possible defective products. Such claims may be pursued by way of contractual remedy or by way of civil action if the defects in our products result in damages or injuries suffered by third parties. In such event, our reputation and our business, financial condition and results of operations would be materially and adversely affected.

C 2017 CB /
2021 CB .

We issued our US$320,000,000 5.0% convertible bonds due 2022 on November 28, 2017 and US$300,000,000 5.25% convertible bonds due 2026 on January 25, 2021. The November 2017 CB and January 2021 CB which contain both liability and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of fixed amount of cash or another financial instrument for a fixed number of our Company's own equity instruments and redemption options) are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument. Multiple embedded derivatives are generally treated as a single compound derivative. Derivatives are initially recognized 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.

At the date of issue, both the liability and the compound derivative components of the November 2017 CB and January 2021 CB are recognised at fair value. The fair value of the compound derivative components of the November 2017 CB and January 2021 CB are determined by derivative valuation models that take as inputs several variables including risk-free rate, expected life and volatilities. Any changes in these inputs into the model will resu

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The global financial crisis which commenced in the second half of 2008 and subsequent economic crisis in Europe caused substantial volatility in the capital markets and a downturn in the global and PRC aluminum industry. As a result of such financial crises, growth rates of aluminum consumption in China might slow down, and the prices of aluminum products could experience dramatic fluctuations. Furthermore, banks' lending policies and the availability of credit to non-state-owned entities, such as ourselves, are significantly influenced by global financial conditions, governmental policies and levels of investor confidence in credit markets, which in turn affect the costs or availability of funding for entities like us. If global or regional economic downturns occur or there are other prolonged disruptions to the credit markets, this could limit our ability to raise funds from our current or other funding sources or cause the funds to become more expensive, either of which may materially and adversely affect our business, financial condition, results of operations and prospects.

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Our business could be adversely affected by the effects of the ebola virus, H1N1 flu, H5N1 avian flu, Severe Acute Respiratory Syndrome, or SARS, COVID-19 or other epidemics or outbreaks. In 2006, 2007 and 2008, there were reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. In April 2009, an outbreak of H1N1 flu occurred in Mexico and the United States and human cases of H1N1 flu were discovered in China and Hong Kong. In 2014, there was an ebola virus outbreak in Africa. In particular, the outbreak of COVID-19 in 2020 has endangered the health of many people in China and other countries, resulting in numerous confirmed cases and deaths and significantly disrupted travels and local economies in and outside of China. To prevent further transmission of COVID-19, the PRC Government has adopted a series of measures nationwide, including, among others, locking down cities, restrictions on enterprises from resuming work, traffic control, travel bans, management and control over commencement and delivery schedules of manufacturers. Therefore, we are subject to certain risks, which include, among others, (i) we may incur extra costs in relation to our precautionary measures and disinfection works carried out by us at our manufacturing facilities and offices; and (ii) we may be required to quarantine some or all of our employees, or disinfect the manufacturing facilities and offices to prevent the spread of the disease if any of our employees were suspected of contracting or contracted an epidemic disease. The occurrence of any of the above events may adversely affect our production and results of operations. Furthermore, such adverse epidemics may severely affect and restrict the level of economic activity in China as the government in each region we operate may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which together with the disruption of business in major industries may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China and the world. In response to the COVID-19 pandemic, governments across the world have imposed travel restrictions and/or lockdown to contain its transmission. As the pandemic continue to spread worldwide, more countries may impose similar or more severe containment measures. There is no assurance that the current containment measures will be effective in halting the pandemic. The current containment measures and any future containment measure may, however, adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. The reduction in demand and supply may adversely and materially affect economic growth globally. Any contraction or slowdown in the economic growth of China and the world could adversely affect our business, financial condition, results of operations and growth prospects.

Any prolonged occurrence or recurrence of these pandemic diseases or other adverse public health developments in China or any of the major markets in which we do business, or the fear of such development, may have a material adverse effect on our business and operations. These could include our ability to deliver our products, as well as temporary closure of our manufacturing facilities, or our

customers' facilities, leading to delayed or cancelled orders. Any severe travel or shipment restrictions and closures would severely disrupt our operations and adversely affect our business, financial condition and results of operations.

Risks Relating to Our Industry

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Laws, regulations and enforcement policies in China, including those regulating the aluminum industry, and power industry, require our Group to obtain various licenses, certificates, permits, and approvals

If applicable laws and regulations change adversely or the relevant regulatory authorities change their interpretation or enforcement of relevant policies in the future, we may be required to obtain further approvals or to meet other additional regulatory requirements. In addition, we may not be able to access the credit markets or obtain financing through corporate debt, commercial paper, medium-term notes, convertible bonds or equity issuances under the current industry policies.

If there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industry in which we are currently engaged. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on our business, financial condition and results of operations. In addition, if we fail to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of our operations, we may be ordered by the relevant PRC regulatory authorities to change, suspend construction of or close the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to our competitors or could lower market entry barriers and increase competition. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our business involves inherent risks and occupational hazards. Due to the nature of our business, we engage or may engage in certain inherently risky and hazardous activities, including, among others, operations which involve preparing and handling high temperature materials, the production, handling and use of high voltage electricity, the transportation of hazardous products and handling hazardous materials in our operations. We are subject to the risks associated with these activities, including spillage of high temperature materials, equipment failures, industrial accidents, fires and explosions. These risks and hazards may result in personal injury and loss of life, damage to or destruction of properties or production facilities, and pollution and other environmental damage.

We cannot assure you that the same will not happen at our manufacturing bases in the future. Any of these risks could result in business interruption, possible legal liability and damage to our business reputation and corporate image. In addition, we may also be subject to claims resulting from the subsequent use by our customers or other third parties of the products we have produced. If any of the above happens, our business, financial condition and results of operations would be materially and adversely affected.

Certain facts and other statistics in this offering memorandum relating to China, the PRC economy and the global and PRC aluminum industries and related markets have been derived from various official government publications. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Initial Purchasers or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

C I E .

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands (“Cayman ES Act”) that came into force on January 1, 2019, a “relevant entity” engaged in “relevant activities” is required to satisfy the economic substance test set out in the Cayman ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands.

Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in the PRC, it is not required to satisfy the economic substance test set out in the Cayman ES Act.

B I E

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Pursuant to the Economic Substance (Companies and Limited Partnerships) Act, 2018 of the British Virgin Islands (“BVI ES Act”) that came into force on January 1, 2019, a BVI

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The PRC government imposes controls on currency conversion between Renminbi and foreign currencies and, in certain cases, the remittance of currency out of and into China. We receive all of our revenue in Renminbi, which is currently not a freely convertible currency. Under our current corporate structure, income of our Company will be primarily derived from dividend payments from Shandong Hongqiao. Shortages in the availability of foreign currency may restrict the ability of Shandong Hongqiao to remit sufficient foreign currency to pay dividends to us, or otherwise satisfy its foreign currency-dominated obligations, which may in turn affect our ability to service the Notes. We also plan to transfer a portion of the proceeds from this offering as well as proceeds from our future fund raising activities into China to fund our business operations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, in most cases, particularly payments of capital account items, approval from appropriate PRC governmental authority is required where (i) Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of offshore bank loans denominated in foreign currencies, and (ii) any foreign currency is to be converted into Renminbi for investment in China. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. In addition, Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (including its appendixes), or Circular 37, applies to our Company and Zhang's Family, the Controlling Shareholder of our Group. If the foreign exchange control system prevents us from converting Renminbi into foreign currencies or vice versa, and obtaining sufficient Renminbi or foreign currency to satisfy our currency demands, our ability to transfer Renminbi to fund our business operations in China or to service our Notes may be adversely affected.

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On March 16, 2007, the National People's Congress of the PRC passed the EIT Law, which took effect on January 1, 2008 and was amended on December 29, 2018. On December 6, 2007, the PRC government also adopted the Implementing Rules of the Enterprise Income Tax Law, or the Implementing Rules, which also took effect on January 1, 2008 and was amended on April 23, 2019. Under the EIT Law, a unified EIT rate of 25% and unified tax deduction standards are applied to both domestic-invested enterprises and foreign-invested enterprises, or FIEs. Under the EIT Law, a 10% withholding tax is generally imposed on dividends distributed by FIEs to their foreign investors to the extent the distributed dividends are sourced from the PRC, if such foreign investors are neither PRC-resident enterprises nor have any establishment or place of business in the PRC, or if such foreign

affiliates may enter into such hedging agreements permitted under the indenture governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the indenture governing the Notes. If we were unable to provide such collateral, it could constitute a default under such agreements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms

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As the Notes and the Subsidiary Guarantees are unsecured obligations, the ability of the Company and the Subsidiary Guarantors to fulfill its or their financial obligations may be compromised if:

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from PRC regulators and issued a number of corporate bonds. See "Description of Other Material Indebtedness – Other Onshore Debt Financing." Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Notes and other debt;
- increase our vulnerability to adverse general economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to servicing and repaying our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and for other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in our businesses and the industry in which we operate;
- limit, along with the financial and other restrictive covenants of our indebtedness, our ability to borrow additional funds; and
- increase the cost of additional financing.

We may from time to time incur substantial additional indebtedness and contingent liabilities. Although the indenture restricts us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of our existing indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

In addition, the indenture prohibits us from incurring additional indebtedness unless (i) we are able to satisfy a certain financial ratio or (ii) we are able to incur such additional indebtedness pursuant to any of the exceptions to the financial ratio requirement, and meet any other applicable restrictions. Our ability to meet our financial ratio requirement may be affected by events beyond our control. We might not be able to meet this ratio. Such restrictions in the Notes and our other financing arrangements may impair our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

Our ability to make payments on and to refinance our indebtedness, including these Notes, and to fund planned capital expenditures and project development will depend on our ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Our business might not generate cash flow from operations in an amount sufficient to enable us to pay our indebtedness, including the Notes, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the Notes, on or before maturity. We might not be able to refinance any of our indebtedness on commercially reasonable terms or at all.

As a holding company, we may depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC and Indonesian subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments of such subsidiaries. In particular, a number of our subsidiaries in the PRC are parties to bank loan agreements. Further, certain loan agreements obtained by our PRC subsidiaries from lender banks in the PRC contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the ability of the Subsidiary Guarantors to satisfy their obligations under the Subsidiary Guarantees. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity would not be available to us to make payments on the Notes.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In addition, since January 1, 2008, subject to compliance with the relevant requirements in EIT Law, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated that specifically exempts or reduces such withholding tax. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the guarantees for the Notes, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholders' loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Subject to compliance with the relevant requirements in EIT Law, our PRC subsidiaries are also required to pay a 10% or lower treaty rate withholding tax on our behalf on the interest paid under any shareholders' loans. PRC regulations require any shareholder loans in foreign currencies made by our non-PRC subsidiaries to our PRC subsidiaries to be registered with the SAFE. Prror to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with the SAFE, as well as any other documents that the SAFE or its local branch may require.

As a result of the foregoing, we might not have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Notes or the obligations of the guarantors under the guarantees.

In addition, the definition of change of control for purposes of the indenture does not necessaotsy afford protection for the holders of the Notes in the event of some highsy leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of change of control for purposes of the indenture also includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or our assets taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase the Notes and the ability of a holder of the Notes to require us to purchase its Notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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If we are unable to compsy with the terms in the indenture or our existing or future debt obligations and other agreements, there could be a default under those agreements. If that occurs, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, the indenture contains, and our future debt agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not onsy such debt but also other debt, including the Notes, or result in a default under our other debt agreements, including the indenture. If any of these events occur, our assets and cash flow might not be sufficient to repay in full all of our indebtedness and we might not be able to find alternative financing. Even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us.

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The indenture includes a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our restricted subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness of restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and

- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

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The Notes are a new issue of securities for which there is currently no trading market. Approval in principle has been received from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. We cannot assure you that we will be able to maintain a listing on the SGX-ST and, even if listed, a liquid trading market might not develop. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. Future trading prices of the Notes will depend on many factors, including prevailing interest rates, our operating results and the market for similar securities. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See ‘‘Transfer Restrictions.’’ We cannot predict whether an active trading market for the Notes will develop or be sustained.

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The price and trading volume of the Notes may be highly volatile. Factors such as variations in our operating inco367ynll

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We will be subject to reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries such as the United States or Hong Kong. As a result, the level of

Risks Relating to the Subsidiary Guarantees

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In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the guarantors under the guarantees will be limited to the maximum amount that can be guaranteed by the applicable guarantor without rendering the guarantee, as it relates to such guarantor, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a guarantee, subordinates such guarantee to other indebtedness of the guarantor, or holds the guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against that guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such guarantor, and would solely be creditors of us and any guarantors whose guarantees have not been voided or held unenforceable. In such an event, after providing for all prior claims, there might not be sufficient assets to satisfy the claims of the holders of the Notes.

None of our current PRC or Indonesian subsidiaries will provide a guarantee for the Notes either upon issuance of the Notes or at any time thereafter. Neither future subsidiaries that are organized under the laws of the PRC nor Exempted Subsidiaries (as defined in Description of the Notes) will provide a guarantee for the Notes at any time in the future. As a

USE OF PROCEEDS

The net proceeds of this offering, after deducting the underwriting discounts and other commissions and other estimated expenses payable in connection with this offering, are estimated to be approximately US$493.9 million. We intend to apply the net proceeds from this offering for refinancing certain existing indebtedness, with the remainder for general corporate purposes.

Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the Notes – Definitions").

EXCHANGE RATE INFORMATION

Since December 31, 2020, we have continued to enter into short-term and long-term borrowings during our ordinary course of business to finance our operations, including without limitation, the CBI March 2021 Facility in an amount up to US$200 million and Ja

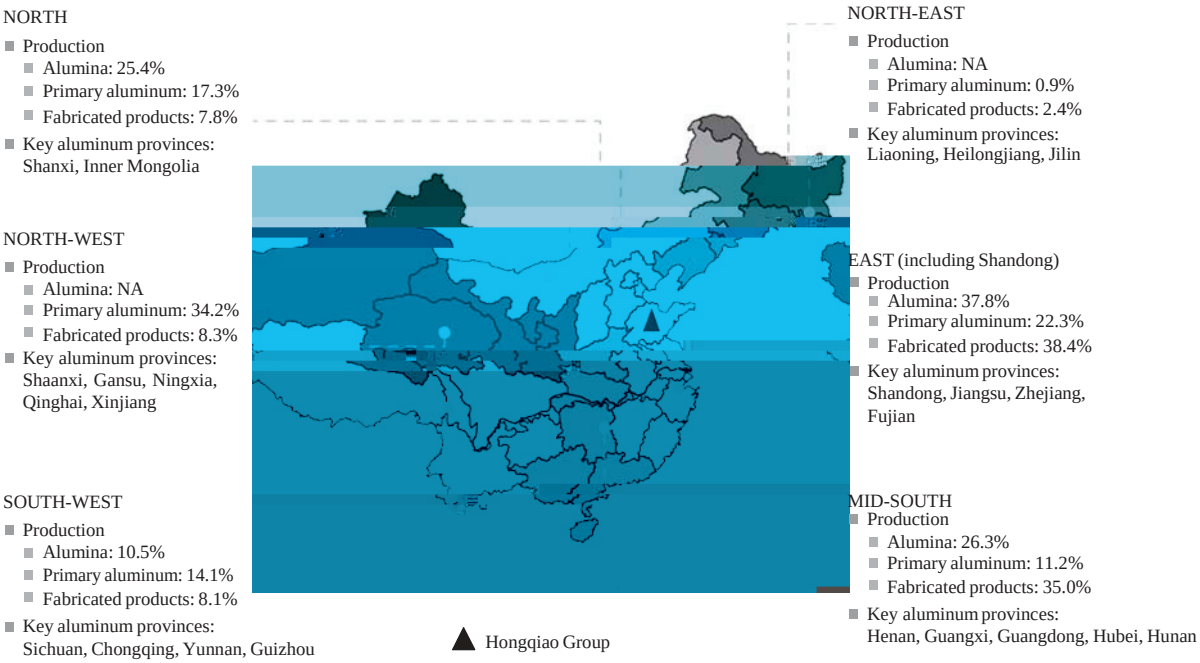
INDUSTRY OVERVIEW

Certain information and statistics set out in this section have been extracted from various government publications, market data providers and other independent third party sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us or any other party involved in the offering of the Notes and no representation is given as to its accuracy. Accordingly, such

China's rapid economic development has greatly boosted the consumption of primary aluminum. In 2005, China started to surpass the United States as the world's largest consumer of primary aluminum. By 2020, China's primary aluminum consumption has accounted for 60.4% of the global consumption.

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The map below shows the geographical distribution of aluminum production in China for 2020 (as percentages of total production and downstream fabricated products produced in China):



Source: Antaike

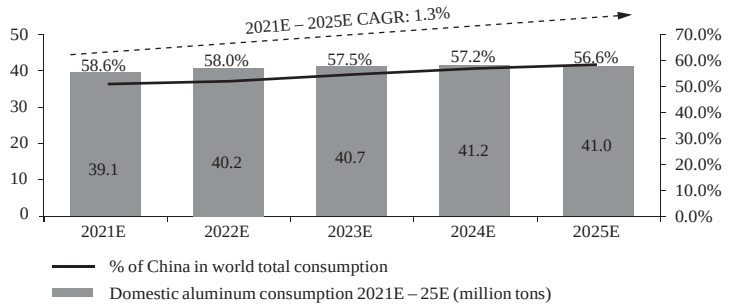
Notes: Definition of the regions is provided by Antaike as follow:
East region – Shandong, Jiangsu, Anhui, Zhejiang, Jiangxi, Fujian and Shanghai
North-east region – Heilongjiang, Jilin and Liaoning
Mid-south region – Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan
South-west region – Sichuan, Yunnan, Guizhou, Chongqing and Tibet
North-west region – Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang
North region – Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia

As of December 31, 2020, Chinese aluminum manufacturers are distributed across 21 provinces in China. East China region, including Shandong Province, where our production facilities are located, is the second largest primary aluminum production region in China, representing 22.3% of the country's primary aluminum production for 2020. Within this region, the Yangtze River Delta is one of the most important and developed economic and manufacturing center in China.

Aluminum consumption in China has experienced rapid growth in the last two decades due 75wi g0332(c).7(r)ds

China has been a key driver of the global aluminum industry over the past decade, and has surpassed the United States as the largest aluminum consumer globally since 2005. In the year of 2020, China consumed approximately 38.4 million tons of prim

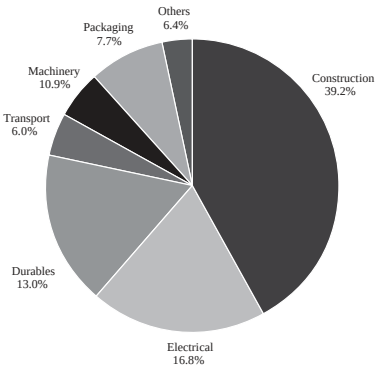
Antaike estimates that China's primary aluminum consumption will grow at a CAGR of 1.3% from 39.1 million tons in 2021 to 41.0 million tons in 2025, as shown in the chart below.



Source: Antaike

Aluminum is further processed into aluminum fabrication products through reheating, molding, casting, cutting, extruding and shaping processes. China has been both the largest consumer and manufacturer of aluminum fabricated products in the world since 2005 and 2001, respectively, according to Antaike. Aluminum flat-rolled products and aluminum extraction products are the two key segments in the PRC downstream fabrication sector accounting for approximately 87% of total aluminum fabrication production, according to Antaike.

In 2020, China consumed approximately 37.9 million tons of aluminum fabricated products, according to Antaike. The chart below shows the breakdown of domestic aluminum fabricated product consumption by end-use in 2020. The main users of aluminum fabricated products are from the construction, electrical, durables and packaging.



Source: Antaike

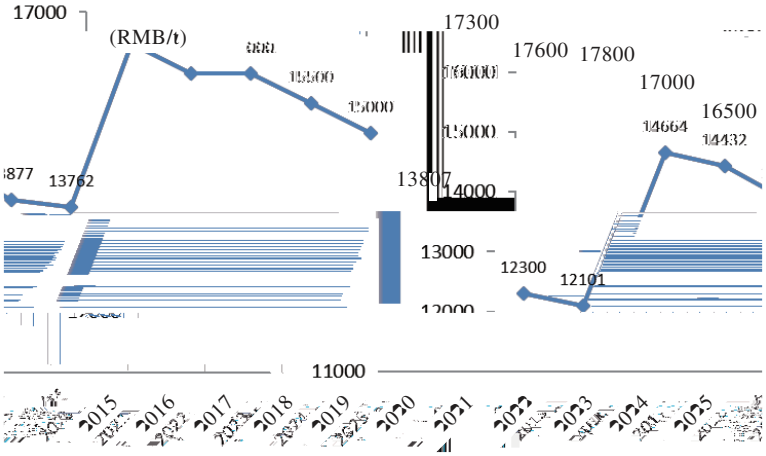
Although transportation and packaging only account for a small share (accounting for 6.0% and 7.7% of current fabricated aluminum product consumption in the PRC, respectively) in 2020, we believe they represent two of the key drivers of future demand growth for aluminum fabricated products, given the significant growth potentials in tin cans, food packaging, automotives and urban subway in China. Antaike estimates that China's aluminum fabricated product consumption will grow steadily at a CAGR of 1.2% from 2021 to 2025.

Aluminum Price

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Aluminum price has experienced significant fluctuations in the recent past. The following chart shows aluminum 3-month London Metal Exchange, or the LME, price and 3-month Shanghai Futures Exchange, or the SHEF, price from February 2019 to December 2020.

The chart below illustrates the historical and forecast average 3-month SHFE aluminum prices provided by Antaike.



A 3- t SHFE (RMB/t)

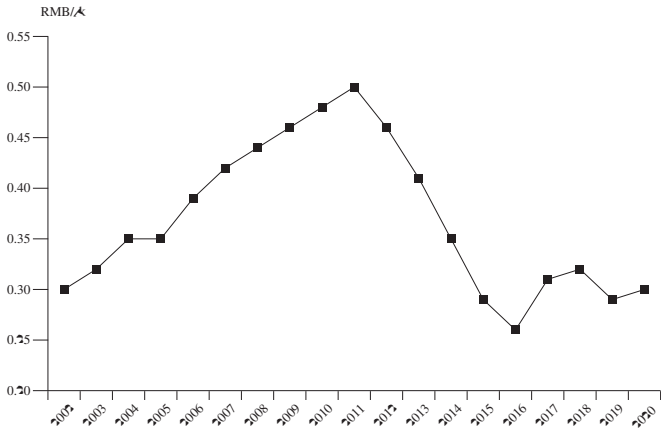
Source: Antaike

Cost Overview

Competition in the aluminum industry is principally based on costs. The main costs of converting alumina into aluminum are electricity, alumina, processing, labor, and carbon anode blocks, among which electricity and alumina were the two largest causes for variation in production costs among aluminum manufacturers. Therefore, the main competitive advantage in the aluminum industry are access to stable supply and sustainable low cost of electricity and alumina.

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Electricity costs vary across different regions and aluminum manufacturers in China. The industry average unit electricity cost increased steadily from 2002 to 2011. However, electricity costs decreased in 2012 to 2016, due to decreases in coal prices and increased capacity of aluminum manufacturers to generate electricity in-house. In the year of 2020, the average unit electricity cost was RMB0.3/kWh, representing an increase of 3.4% from 2019.

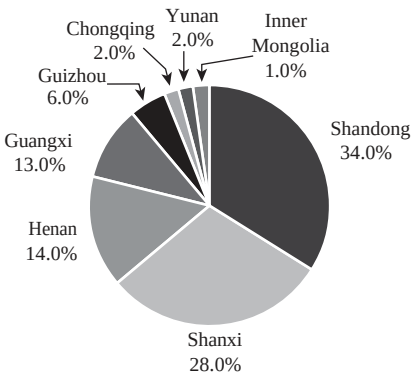


Source: Antaike

With the rapid growth of aluminum smelting capacity in China, electricity supply to this sector has been tight. The electricity cost accounted for 33% of the total production costs of aluminum in China in 2020, as compared to that of 44% in 2010. Therefore, according to Antaike, the aluminum manufacturers with capacity to generate electricity in-house can enjoy secure stable supply and lower cost of electricity compared to those purchasing electricity externally. In 2020, a total of 37 aluminum manufacturers in China operated captive power plants. The aluminum production capacity of these manufacturers represents approximately 64% of total aluminum production capacity in China. The price of electricity is affected by the price of coal. According to Antaike, the average price of mix-quality coal quoted by Qinhuangdao Shanxi quality index was RMB508 per ton and RMB571 per ton for 2019 and 2020, respectively.

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Alumina is another major cost to aluminum production. According to Antaike, China had total annual alumina production capacity of 89.2 million tons at December 31, 2020. The actual alumina domestic production was 71.0 million tons in 2020. The major are located in the Shandong, Henan, Shanxi and Guangxi provinces, among which Shandong, Shanxi and Henan are China's largest alumina producing provinces, representing 34.0%, 28.0% and 14.0% of China's total capacity in the year of 2020, respectively. The geographical distribution of the alumina production capacity is shown in the chart below.



Source: Antaike

According to Antaike, the average prices of alumina produced domestically in China were RMB2,694 per ton and RMB2,335 per ton for 2019 and 2020, respectively, and the average import price of alumina in China was US$331 per ton and US$272 per ton during the same periods.

Competitive Landscape

As of December 31, 2020, there were a total of 85 aluminum manufacturers in China, according to Antaike. They are located in 21 provinces, with Shandong, Xinjiang and Inner Mongolia as the three largest producing provinces, accounting for 20.5%, 15.1% and 14.2%% of domestic capacity as of December 31, 2020, respectively. The following chart sets forth the top ten aluminum manufacturers in China in terms of aggregate annual aluminum production capacity as of December 31, 2020 based on a

Top ten aluminum manufacturers in China

Rank	Company	Designed annual production capacity as of December 31, 2020 (thousand tons per annum)	Nature of Ownership
1	Group 1	7,660	State-owned
2	China Hongqiao Group Limited (our Group)	6,460	Private
3	Group 2	3,800	Private
4	Group 3	2,435	State-owned
5	Group 4	2,180	Private
6	Group 5	1,700	State-owned
7	Group 6	1,450	State-owned
8	Group 7	1,400	State-owned
9	Group 8	1,290	Private
10	Group 9	1,200	Private
Total (% of China)		29,575 (69.9%)	

Source: Antaike

As of December 31, 2020, these ten manufacturers had aggregate designed annual production capacity of approximately 29.6 million tons and accounted for an aggregate of approximately 69.9% of China's domestic capacity. The table below shows the breakdown of aluminum manufacturers by production capacity as of December 31, 2020.

Breakdown of aluminum manufacturers by designed capacity (as of December 31, 2020)

Designed Annual Production Capacity	Number of Companies	% of Total Capacity in China
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electrolytic aluminum. In 2011, the PRC government increased twice the electricity tariff, which increased the cost of aluminum producers that purchased on-grid electricity. Our Group was not impacted by these increases.

In April 2017, the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology, the Ministry of Land and Resources and the Ministry of Environmental Protection jointly issued the Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects*

Top five aluminum foil manufacturers in China

Company	Designed capacity as of December 31, 2019	Nature
	(thousand tons per annum)	
Group 1	600	Private
Group 2	240	Private
Group 3	200	Private
Group 4	150	Private
Group 5	95	Private
Total (% of China)	1,285 (2.3%)	

Source: Antaike

For aluminum extrusion products, as of December 31, 2020, there were approximately 1100 manufacturers in China with a total production capacity of 30 million tons per annum, according to Antaike. The table below lists out the top six aluminum extrusion product companies in China.

Top six aluminum extrusion product manufacturers in China

Company	Designed capacity as of December 31, 2020	Nature
	(thousand tons per annum)	
Group 1	1,000	Private
Group 2	520	Mixed
Group 3	520	Private
Group 4	500	Private
Group 5	450	Private
Group 6	450	Private
Total (% of China)	3,440 (11.5%)	

Source: Antaike

We understand that there are a number of barriers to enter into the aluminum industry, such as substantial capital expenditure requirement, time required to construct aluminum smelters, availability of low-cost energy supplies and raw materials, government restrictions on expanding aluminum smelting capacity, time and efforts to establish relationship with downstream customers and proximity to end-use markets.

Overview of Shandong Aluminum Industry and Molten Aluminum Alloy

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Shandong Province, located on China's eastern coast, is one of the most important regions of the Chinese aluminum industry. As of December 31, 2020, it had a designed primary aluminum production capacity of approximately 8.7 million tons, which made it the largest aluminum production base in China, accounting for approximately 20.5% of total domestic capacity. In addition, Shandong Province is China's largest alumina supply base, with an annual capacity of approximately 30.1 million tons for 2020, accounting for 34% of domestic alumina capacity.

Shandong Province is also China's largest manufacturing base of downstream aluminum fabricated products, and manufactured approximately 11.4 million tons, or 19.7% of China's total production for 2020.

As of December 31, 2020, there were three aluminum manufacturers in Shandong Province. The table below sets forth the top three aluminum manufacturers in Shandong Province by designed annual production capacity.

Top three aluminum manufacturers in Shandong Province

Company	Designed annual production capacity as of December 31, 2020
	(thousand tons)
China Hongqiao Group Limited (our Group)	5,860
Shandong Group 1[(1)]	1,580
Shandong Group 2	816
Total (as a % of total Shandong Province)	8,256 (100%)

Source: Antaike

(1) Shandong Group 1 also has a production capacity of 2,060,000 tons per annum outside Shandong Province. Its total capacity is 3,640,000 tons per annum and is referred to as Group 2 in the table headed "Top ten aluminum manufacturers in China" under "Industry Overview – Competition Landscape."

Our primary production facilities are strategically located in Zouping City, one of the main aluminum production bases in Shandong Province. We are the only aluminum manufacturer in Zouping City. We represented approximately 72.3% and 100% of total designed annual production capacity in Shandong Province and Zouping City, respectively, as of December 31, 2020 according to Antaike.

Molten aluminum alloy refers to a red and yellow hot liquid, in which aluminum is the predominant metal, while combined with copper, zinc, manganese, silicon, magnesium or other materials. It is an important material for fabricating aluminum products and is directly transported to the nearby manufacturing site for further processing. As the temperature needs to be maintained at 750°C to 900°C level to keep it in liquid form during delivery, Antaike estimates that safe delivery distance for molten aluminum alloy is within 30 kilometers. Compared to aluminum ingots, molten aluminum alloy has a number of key benefits:

Reduction of energy consumption and waste gas emission

Because there is no need to mold or re-smelt molten aluminum alloy before it is processed into downstream aluminum products, it offers significant savings of energy and electricity. It also benefits the overall environment through reducing the emission of carbon dioxide and waste gas during the re-melting process.

Cost saving

Molten aluminum alloy saves molding costs, and associated energy, labor, storage and other relevant costs for producers. Customers also benefit from saving the energy cost of melting aluminum alloy ingots for further processing, as well as labor and storage costs. Antaike estimates the overall cost benefits for customers to be approximately RMB500 per ton.

Molten aluminum alloy supply and demand in the Zouping region

Antaike expects the annual production capacity of downstream customers in the Zouping region to grow from 5.36 million tons as of 2021 to 5.41 million tons as of 2025, and annual demand for primary aluminum in the Zouping region to grow from 3.10 million tons in 2021 to 3.29 million tons in 2025. Antaike expects these growth and greater acceptance of molten aluminum to cause demand for molten aluminum to further increase. Antaike expects annual consumption for molten aluminum to grow from 2.85 million tons in 2021 to 3.03 million tons in 2025, representing a CAGR of 1.6%. Furthermore, Antaike expects that 92% of the demand for aluminum in 2024 in the Zouping region will be met by molten aluminum. According to Antaike, the Group's molten aluminum production capacity accounted for 100% of the total molten aluminum production capacity in Zouping as of December 31, 2020.

aforesaid capital increase was RMB6.8 billion. After completion of the aforesaid capital increase, Shandong Hongqiao is held as to approximately 94.52% by Hongqiao Hong Kong and as to approximately 5.48% in aggregate by the three investors, respectively.

Note 6. Shandong Hongqiao acquired Aluminum & Power in June 2006 and completed the domestic restructuring of our Group.

OVERVIEW

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of December 31, 2020, we were the second largest aluminum manufacturers in China in terms of aggregate annual aluminum production capacity, according to Antaike. We have vertically integrated operations that encompass the entire aluminum industry value chain consisting of production facilities for alumina, molten aluminum alloy and aluminum alloy ingots, aluminum fabrication production facilities, as well as self-supporting power generation facilities.

We believe that we enjoy sustainable profitability because of our vertically integrated business model, our cost advantages and high operational efficiency and centralized procurement of raw materials and local electricity supply. We are strategically headquartered in Zouping City, Shandong Province, within an end-to-end industrial aluminum production cluster that includes raw material suppliers and local down-stream users, which we believe provides us with substantial cost and operational advantages and results in other synergies. All of our aluminum manufacturing bases in the PRC are in close geographic proximity to each other and are connected by our in-house power supply grid. We are connected to other major production bases of downstream aluminum fabrication products, such as Henan Province, Liaoning Province and Jiangsu Province, and major alumina production bases and coal resources in Shandong Province, Shanxi Province and Henan Province, through developed transportation networks.

We currently have ten manufacturing bases in Indonesia, Yunnan, Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Boxing, Yangxin and Huimin, respectively. Our annual production capacity of aluminum products was approximately 6.46 million tons as of December 31, 2020 with utilization rates of approximately 87.0% for the year ended December 31, 2020.

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Our aluminum products mainly consist of molten aluminum alloy, aluminum alloy ingots, and aluminum fabrication products. Our aluminum products are made from alumina and carbon anodes through a smelting process by means of electrolytic reduction. We sold approximately 6.4 million tons, 5.7 million tons and 5.7 million tons of aluminum products and generated revenue of approximately RMB78,651.3 million, RMB70,995.6 million and RMB72,038.3 million (US$11,040.4 million) for the years ended December 31, 2018 and 2019 and 2020, respectively. Molten aluminum alloy is our major product, the sales of which accounted for approximately 74.8%, 70.5% and 68.9% of our revenue derived from aluminum products for the years ended December 31, 2018, 2019 and 2020, respectively. Compared with the production of aluminum alloy ingots, the production of molten aluminum alloy allows us to avoid incurring significant molding and other relevant costs. We are able to provide our customers with molten aluminum alloy due to our close proximity to them, which, we believe, provides us with significant cost and operational advantages and results in other synergies. All of our aluminum alloy ingots are produced with self-manufactured molten aluminum alloy. We also manufacture and sell aluminum fabrication products.

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Our two main cost items in the production of aluminum are alumina and electricity. Each of these items accounted for more than 30% of our total cost of sales in the two years ended December 31, 2018, 2019 and 2020.

We benefit from arrangements in relation to the key inputs into our aluminum products. These primarily include (i) cost advantages from the in-house production of a significant portion of the alumina we use, (ii) favorable pricing resulting from alumina purchased in bulk, (iii) cost advantages from the production of a significant amount of the electricity that we use for the production of our aluminum products at our thermal power stations, (iv) our in-house power grid connecting our eight manufacturing bases and (v) cost advantages from purchasing off-grid electricity directly supplied.

88.4% of the total alumina that we used in 2018, 2019 and 2020, respectively. This self-sufficiency rate is expected to continue to increase in the future due in part to the success of our project in Indonesia. In addition, Bauxite procurement cost is an important cost of alumina production. We have strong bargaining power in the purchase of bauxite and have maintained long-term cooperative relationships with certain suppliers due to our large scale of production. We, along with our joint venture partners, have also successfully created a complete bauxite supply chain in Guinea, linking Africa and China and helping to ensure more stable supply. See "– Procurement – Raw Materials – Supply of alumina and bauxite".

- Cost savings by focusing on selling molten aluminum alloy to nearby customers

Sales of molten aluminum alloy accounted for approximately 74.8%, 70.5% and 68.9% of our revenue for 2018, 2019 and 2020, respectively. Molten aluminum alloy is our main product in terms of sales volume and revenue. By focusing on molten aluminum alloy as compared to aluminum alloy ingots, we avoid incurring significant molding costs and associated electricity, labor, storage and other relevant costs. Furthermore, all of our molten aluminum alloy customers are in close proximity to our manufacturing bases. We deliver our molten aluminum alloy directly from our smelters to our customers' manufacturing sites immediately after it is ordered and manufactured, allowing us to maintain close to zero inventory of molten aluminum alloy and enjoy low transportation costs. By purchasing molten aluminum alloy, our customers minimize transportation costs and save the cost of smelting or reheating aluminum alloy ingots for further processing, including the related equipment, labor and storage costs. According to Antaike, customers that buy molten aluminum enjoy cost savings of around RMB500 per ton. As such, our customers and we both benefit from higher margins. Where customers are further away we will sell them aluminum alloy ingots. Sales of aluminum alloy ingots accounted for approximately 4.5%, 3.0% and 4.5% of our revenue for 2018, 2019 and 2020, respectively.

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We are strategically headquartered in Zouping City, Shandong Province, one of the major aluminum product manufacturing centers in China. Antaike expects annual demand for primary aluminum in the Zouping region to grow from 3.10 million tons in 2021 to 3.29 million tons in 2025, and annual consumption for molten aluminum to grow from 2.85 million tons in 2021 to 3.03 million tons in 2025. Furthermore, Antaike expects that 92% of the demand for aluminum in 2024 in the Zouping region will be met by molten aluminum. We believe our leading market share in molten aluminum in Zouping will allow us to maintain strong sales alongside aluminum demand growth in Zouping. According to Antaike, our molten aluminum production capacity accounted for 100% of the total molten aluminum production capacity in Zouping as of December 31, 2020.

Our manufacturing bases and most of our key customers are all in close proximity, forming a self-sustaining end-to-end industrial aluminum production cluster. Being able to supply molten aluminum alloy provides us with a unique competitive advantage in attracting and retaining local customers in Zouping City. Due to close proximity to the Group and the requirement of molten aluminum alloy, our local customers save on transportation costs and costs associated with smelting or reheating aluminum alloy ingots for further processing, including the related equipment, labour and storage costs. In addition, we benefit from alumina supply at very competitive rates from adjacently-located supplier. This close geographic proximity, long-term commitment and large volume purchases provide cost savings associated with packaging, transportation and storage, which are important factors that motivate our supplier(s) to provide the Group with price discounts, forging a stable and long standing mutual relationship.

Shandong Province is connected to major production bases of downstream aluminum product companies, such as those located in Henan Province, Liaoning Province and Jiangsu Province, and major alumina production bases and coal resources in Shandong Province, Shanxi Province and Henan Province by

highly developed transportation networks, including highway, railway and sea transportation. There are also large sea ports used to import bauxite in Shandong Province, which benefit leading local alumina producers. As a result, together with our local suppliers and customers in the industrial aluminum production cluster, we are able to deliver products to customers and receive raw materials from suppliers in a timely and cost-effective way. Eastern China, including Shandong Province, is the second largest region in China in terms of primary aluminum production, representing 22.3% of the country's primary aluminum production for 2020, according to Antaike. Within this region, the Yangtze River Delta is one of the most important and developed economic and manufacturing centre in China.

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Leveraging our strong financial and operating performance, we are able to secure funding from

we will be able to diversify our product mix and enhance our competitiveness in the market. In addition, as the profit margins of high-end and advanced aluminum fabrication products, such as aluminum casting-rolling products and high precision aluminum plate and strip products, are generally higher than those of our current aluminum products, we will be able to improve our overall profit margin.

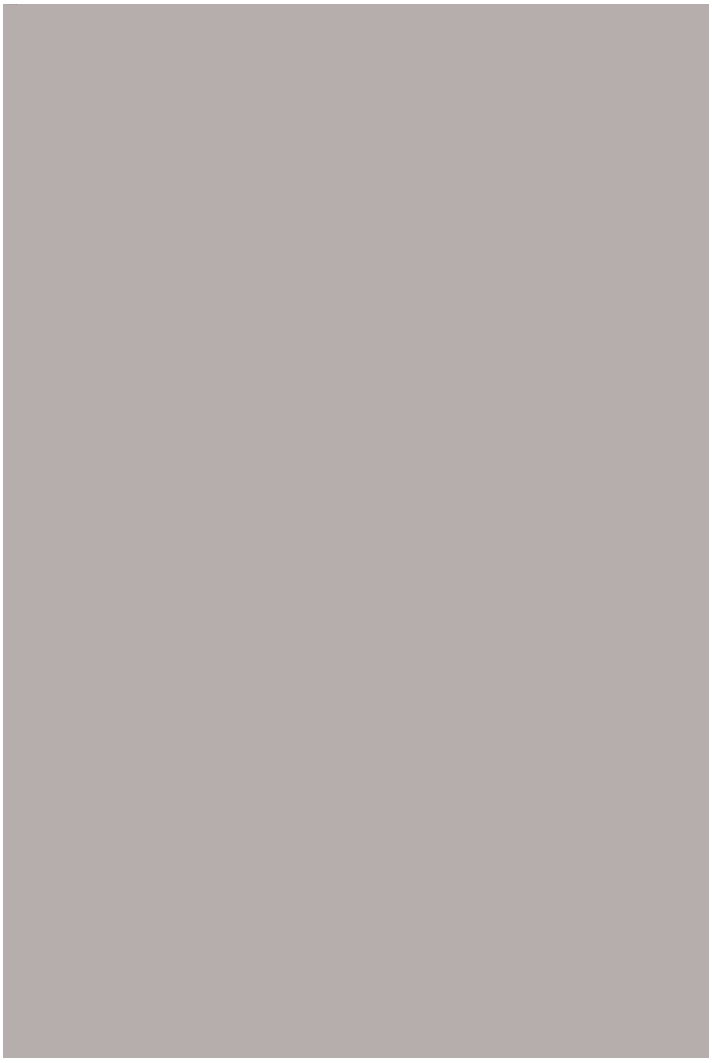
We plan to further enhance our capacity to supply alumina by our own production. We expect that the alumina we produce will continue to contribute to a substantial portion of our supply of alumina in the future. We expect to complete construction and commence operation of the second phase of our project in Indonesia in 2021 that is expected to have 1.0 million tons of additional capacity of alumina. We expect that the alumina we produce will continue to contribute to a substantial portion of our supply of alumina in the future.

We expect to satisfy approximately 90% of our total alumina needs for 2021 with our own alumina production. We believe that our strengthened vertical integration will help us capture additional cost advantages and further improve our competitiveness in the Chinese aluminum market. In addition, we seek to expand our bauxite sources worldwide to ensure the security of our raw material supply. We believe our joint venture engaging in the bauxite mining business in the Republic Guinea will help us to achieve this business goal. r5-489.7(addition,5-486.8(we)-59ar(we)-490.2(i)-.nl.)-59596(s)]TJ484507390TD.0317Tch(w

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We plan to devote more resources to our marketing and sales efforts in order to expand the customer base for our existing products and also to market and sell our new advanced aluminum fabrication products. While strengthening our dominant mark r mark et pe

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Sales of aluminum alloy ingots accounted for approximately 4.5%, 3.0% and 4.5% of our revenue for 2018, 2019 and 2020, respectively. Molten aluminum alloy is processed into aluminum alloy ingots through molding, casting and cooling. Our aluminum alloy ingots are produced by using self-manufactured molten aluminum alloy.

Aluminum alloy ingots are widely used as raw materials in the production of car wheels, industrial, civil construction, and thermal conductivity materials due to their outstanding physical, mechanical and thermoplastic features, as well as light-weight, corrosion resistance, easy processing and excellent performance. Our aluminum alloy ingots are primarily sold to customers in various regions across China, such as in other counties in Shandong Province, Beijing, Tianjin, Hebei Province, Jiangsu Province, Guangdong Province, Liaoning Province and Zhejiang Province.

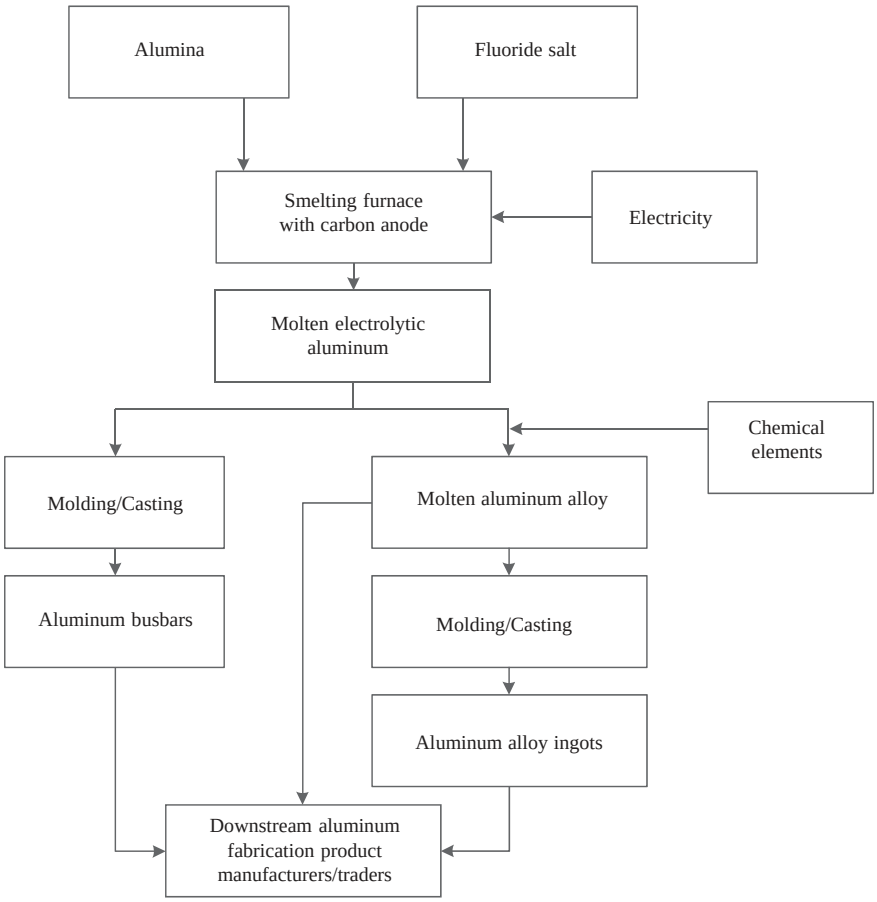
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Sales of aluminum fabrication products accounted for approximately 7.9%, 10.8% and 10.2% of our revenue for 2018, 2019 and 2020, respectively. Our downstream aluminum fabrication products principally include aluminum plate, aluminum strip and aluminum foil products. In 2011, we completed a production line in our Binzhou manufacturing base for aluminum alloy casting-rolling and foil products with an aggregate annual production capacity of approximately 30,000 tons as of December 31, 2020. In 2011, we also began building production lines in our Zouping manufacturing base for the

production of high precision aluminum plate and strip products and other aluminum products. We began operating the production lines since June 2014. As of December 31, 2020, our production lines for aluminum fabrication products had an aggregate annual production capacity of approximately 0.99 million tons.

We are also in the process of constructing several light weight material projects for production of aluminum alloy structural parts, lightweight auto parts and aluminum coil [illegible]

The production process of our major aluminum products is illustrated below:



OUR PRODUCTION FACILITIES

Our Zouping, Beihai New District, Yunnan, Weiqiao, Binzhou, Yangxin and Huimin aluminum manufacturing bases had annual production capacity of approximately 2,648,000 tons, 670,000 tons, 600,000 tons, 497,000ILITIES

The following table sets forth information relating to our weighted average production capacity for the three years ended December 31, 2018, 2019 and 2020 and our produc

1.0 million tons, and 1.0 million tons of alumina, respectively in 2016, 2017, 2018, 2019 and 2020. The self-produced alumina used by our Group accounted for 87.1%, 89.9% and 88.4% of the alumina (in terms of volume) used in our production of our aluminum products at our in-house alumina production facilities in 2018, 2019 and 2020, respectively. We produce alumina at a cost below the purchase price of alumina that we purchase externally.

Bauxite procurement cost is an important cost of alumina production. We have strong bargaining power in the purchase of bauxite and maintain long-term cooperative relationships with some suppliers due to our increasingly large scale of production. To help ensure a stable supply, we import bauxite from a number of different countries, including Australia, Brazil, India, Malaysia and Jamaica. Further, we have our own overseas alumina production facilities. We were also involved in the successful creation of a complete bauxite supply chain in Guinea, linking Africa and China. In 2015, we entered into joint venture arrangements with, among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Wining Singapore International Group, for the purpose of developing a bauxite mining project in the Republic of Guinea. The project involved development of the local bauxite mine as well as investment in the port and local logistics, including construction of barges and docks on either side of the Rio Nunez river. In response to the "Belt and Road Initiative", China Hongqiao established a "Maritime Silk Route" full value chain logistics line stretching over 14,000 nautical miles. The project commenced operations in 2015 with the first shipment of bauxite from Guinea arriving in China Hongqiao's domestic base in November 2015, and since then has realized production of approximately 1 million tons of bauxite in 2015, 11 million tons of bauxite in 2016, 32 million tons of bauxite in 2017, 42.0 million tons of bauxite in 2018, 41.0 million tons of bauxite in 2019 and 41 million tons of bauxite in 2020.

In addition, we along with several business partners entered into three public contracts with the government of Guinea in December 2018 to develop a bauxite-mining project, a 135 km-long railway and an alumina plant in Guinea, respectively. We believe that implementation of these projects will help to ensure the stability of our raw material supply in the long run.

Alumina Procurement

We have entered into alumina supply agreements, through arms-length negotiation with our suppliers of alumina. We typically obtain the majority of the alumina we procure externally from a single supplier. Pursuant to the relevant alumina supply agreements, we agree to determine the base purchase price of alumina with reference to the sales price of alumina sold by such suppliers to other independent third parties. In addition, we can enjoy price discounts due to our long-term commitment, bulk purchase, and self-pick-up arrangement. Such price discounts are determined through negotiation between the supplier and us from time to time, and are subject to our actual purchase volume and the supply and demand dynamics in the alumina and aluminum industries.

The following table sets forth our source of supply of alumina in China for the periods indicated:

	For the year ended December 31,		
Alumina	2018	2019	2020
Total Alumina consumed (million tons)			

The following table sets forth our source of supply of electricity in Shandong Province for the periods indicated:

	Year ended December 31,		
	2018	2019	2020
Electricity			
Total electricity consumed (million KWh)	92,031	82,958	82,470
Self-produced (million KWh)	72,066	67,901	52,595
External purchase (million KWh)			

The following table sets forth our average coal consumption cost and the average price of mix-quality coal quoted by Qinhuangdao Shanxi quality index:

	Year ended December 31,		
	2018	2019	2020
		(RMB/ton)	
Average coal consumption cost (excluding VAT)[1]	493	464	461
Average price (including VAT) of mix-quality coal quoted by Qinhuangdao Shanxi quality index[2]	647	587	563

Source: Antaike

(1) Our Group's average coal consumption cost is inclusive of transportation cost in China but exclusive of VAT.

(2) According to Antaike, the Qinhuangdao coal price is the most frequently quoted benchmark price in the coal markets in Shandong Province and other regions in China, and is inclusive of transportation cost of coal transported to Qinhuangdao port, which is the largest coal shipping port in the world and inclusive of VAT.

SALES AND MARKETING

We sell our products through our own sales and marketing team. As of December 31, 2020, we employed 78 sales and marketing personnel.

The head office of our sales and marketing team is located in our manufacturing bases in Zouping City, Shandong Province. The head office is in charge of the overall management of our sales and marketing activities, including market research and development, customer relations, implementation of our sales plan and supervision of our branch offices. As our production schedule is based on sales, the head office also closely works with our production department to ensure timely production and delivery of our aluminum products.

Our sales and marketing teams are responsible for the sales and marketing activities in their own regions. They are responsible for identifying business and market opportunities, engaging in business networking, strengthening relationships with our existing customers while cultivating relationships with potential customers, formulating monthly sales plans and collecting receivables from our customers.

Our sales and marketing team directly sells products to our customers. We usually approach

The quality of our products is subject to the national quality standards issued by the PRC government. See "– Quality Control." We are generally responsible for the delivery of most of our products to customers, with the remaining amount being picked up by our customers. In addition, our sales contracts generally provide that, once the products leave our manufacturing site, the ownership of such products are immediately transferred to our customers. As a result, we are not responsible for the risk of losses occurring during transportation. Moreover, if there is any dispute over product quality, the customer must raise such issue within three days after receipt of the relevant products. Currently, for products sold in China, the price of most of our products is based on the mean price on the Antaike Metals Spot Market, while the price of our aluminum fabrication products is primarily determined with reference to the mean price on the Yangtze River Non-ferrous Metals Spot Market. A premium or discount may be applied from time to time. We usually require most of our customers to make full payment before delivery. Our customers may choose to pay us by cash or endorsed bank bills.

For our molten aluminum alloy products, our customers usually make prepayments to us on a weekly basis by reference to the average price of our molten aluminum products in the preceding week. However, due to the fluctuation in the price of the molten aluminum alloy, such prepayments may be less than the total price of the molten aluminum alloy delivered by us. For aluminum alloy ingots, our customers usually make prepayments by reference to the then prevailing market price. However, consistent with the general industry practice, for any delivery which may take several days or longer, the actual price is often determined by reference to the price of the delivery date rather than the prepayment date, and there may be price differences between the price of the prepayment date and the price of the delivery date, which means the prepayments may fall short of the total price of the aluminum alloy ingots delivered by us. As a result, we will have trade receivables. We generally collect such balance within 90 days. For our aluminum fabrication products, payments will be generally made by our customers upon delivery of our products.

OUR CUSTOMERS

We primarily sell aluminum products to domestic customers, who are located mainly in Shandong Province as well as in other regions of China. Our five largest customers accounted for approximately 59.4%, 55.1% and 59.0% of our revenue of continuing operations for 2018, 2019 and 2020, respectively. Certain of our customers are domestic premium aluminum fabrication product manufacturers and well known traders. Our largest customer accounted for approximately 39.9%, 35.6% and 39.1% of our revenue of continuing operations for 2018, 2019 and 2020, respectively. Sales volume of our aluminum products was approximately 6.4 million tons, 5.7 million tons and 5.7 million tons for 2018, 2019 and 2020, respectively.

and 2020, respectively. The increase in our average turnover days of inventory for the 2019 was mainly due to our increased purchase of bauxite for production use, which led to an increase in inventory balance of our Group.

Our production and inventory plans are prepared based on our sales. We enter into sales contracts with customers based on our actual production capacity, and our sales and marketing team prepares the production plans and delivers the production plans to our production department, which arranges our

RESEARCH AND DEVELOPMENT

Our research and development activities are led by Mr. Deng Wenqiang, who is responsible for the production, research and development of aluminum products of our Group. Our research and development activities focus on reduction of electricity consumption in our production, optimization of our processing technologies and improvement of product quality. We seek to enhance our capabilities by placing additional resources to our research and development team by way of recruitment of additional research and development staff, including engineers, and purchase of additional advanced machinery and equipment. We intend to recruit more research and development personnel to develop new products, such as advanced aluminum fabrication products, to procure advanced equipment for our laboratory to improve our production technology, enhance product quality and reduce production cost. Preparation for the center commenced in April 2010 and it has been operative since the second half of 2011. We plan to develop our automatic and integrated work safety monitoring system. We also plan to develop cooperative relationships with research and academic institutions to diversify our product mix.

DELIVERY OF PRODUCTS

We usually arrange for the delivery of the majority of our products to customers. We rely on third party logistics service providers to deliver our products.

We generally use trucks and ships to deliver aluminum alloy ingots. Once we enter into a sales agreement with a customer, a delivery order will be sent to our logistics subdivision under the sales and marketing department, which will in turn send a bidding invitation to third party logistics service providers. The successful bidder will arrange the delivery in accordance with our customer's requirement after entering into a service agreement and making a deposit with us. We will settle the transportation fee upon the presentation of our customer's receipt and the service provider's invoice. The logistics service providers for aluminum alloy ingots are generally responsible for losses of and damages to our

Molten aluminum alloy is our most popular product in terms of sales volume and revenue. As molten aluminum alloy is a hazardous material for transportation and needs to be stored in a specially designed container to maintain a high temperature during delivery, purchasers of molten aluminum alloy are always located in close proximity to the manufacturing facilities of molten aluminum alloy. As the major aluminum supplier in Zouping City, we accounted for approximately 100% of the total annual production capacity of primary aluminum in Zouping City as of December 31, 2020, according to Antaike.

We sell aluminum alloy ingots, aluminum alloy casting-rolling products and aluminum busbars to customers located in Northeastern, Southern, Eastern and Northern China. We generally compete with our competitors on quality of products, pricing, location of manufacturing site, time-to-market and available capacity.

ENVIRONMENTAL PROTECTION

(3) where the construction entity fails to undergo recordation formalities for the environmental impact registration form of a construction project in accordance with the law, the environmental protection administrative department at or above the county level shall order it to undergo recordation, and impose a fine of not more than 50,000 yuan on it.

According to Article 21 of the Regulations on the Administration of Construction Project Environmental Protection which was issued on July 16, 2017 and took effect on October 1, 2017, where a project owner commits any of the following conduct, it shall be punished in accordance with the provisions of the Law of the People's Republic of China on Environmental Impact Assessment:

(1) the project owner commences the construction project without submitting the environmental impact report or the environmental impact statement for approval or reexamination in accordance with the law;

(2) the project owner commences the construction project when the environmental impact report or the environmental impact statement has not been approved or reexamined; and

(3) the environmental impact registration form of the construction project has not been granted recordation in accordance with the law.

Aluminum production is subject to various environmental laws and regulations. For example, national regulations promulgated by the PRC government set forth discharge standards for emissions into the air and water. National environmental protection enforcement authorities also promulgate discharge fees for various waste substances. The discharge fee usually increases for each incremental increase of the amount of discharge up to a specified level set by the state or local regulatory authorities. For any discharge exceeding the specified level, the relevant PRC government may order our facilities to rectify behavior causing environmental damage, and subject to PRC government approval, the local government has the authority to order any of our facilities to close for failure to comply with existing regulations.

During the manufacturing process of aluminum products, our factory discharges sewage, emits air pollutants and produces noise. We have installed dedusting equipment for our manufacturing facilities to minimize industrial waste. In addition, we recycle and reuse aluminum scraps generated during our production process. We have improved our energy-efficiency by applying new production techniques and new technologies and optimizing our production process. In addition, we have installed electrostatic precipitators and sound insulation equipment to reduce industrial waste and the impact of the noise produced in the daily operations of our manufacturing bases.

During the power generation process, a power station discharges sewage, emits air pollutants, such as sulphur dioxide, and produces noise. We have installed dedusting and desulphurization equipment in our power station to reduce the emission of air pollutants. We have also installed water recycling and treatment equipment to minimize the impact of sewage on the environment. Our power stations have obtained the required approvals from and has satisfied the emission requirements provided by local governments in all material respects. In addition, we have installed sound insulation equipment to reduce the impact of the noise produced in the daily operations of our power station.

E

We have established a dedicated environmental protection department. The environmental protection department is responsible for overseeing the environmental protection of our Group as a whole, such as formulating environmental-related guidelines and policies for our Group in order to ensure compliance with the applicable environmental laws, regulations and standards, monitoring the latest development in the e department.prrtate0.6(d)-499l-5323w.3(s)-5017, rgul5(eration)-506.1(and0556 8.4(s)-)-5323ndscha id thr PRy id0

facilities and the pollutant discharge facilities of our Group, handling the application for environmental protection approvals and the inspection and any other necessary filings for the construction projects of our 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.

As of December 31, 2020, our environmental protection department comprised of 40 environmental protection personnel, all of whom had obtained vocational training college education and majored in environmental science, environmental engineering or environmental inspection and treatment. Mr. Ji Dengpan, who has been the head of our environmental protection department since its establishment in 2007, has approximately fifteen years of experience in environmental protection, and our environmental protection personnel have an average of more than ten years of experience in environmental protection. In addition to these environmental protection personnel, as of December 31, 2020, we also had 1,295 production personnel who were responsible for the operations, monitoring and maintenance of our environmental protection facilities.

Shandong Hongqiao obtained the ISO14001 for our environmental management system in April 2010, which set out a wide range of environmental protection requirements, such as the knowledge of environmental protection among our employees, the pollution control and monitoring standards, the pollutant disposal guidelines and the pollution prevention and remedial system.

WORK SAFETY

We are subject to PRC safety laws and regulations, which set out the legal standards for health and safety measures with which our operations must comply. As our business expands and our production operations become more complex, we regularly review and ensure that our occupational health and safety procedures and measures are in compliance with all relevant legal standards. We are required to conduct assessments on the safety of our aluminum production lines and power station, formulate production safety and accident prevention plans and obtain approval from the work safety authorities for such assessments before the commencement of construction of our aluminum production lines and power station. After the completion of construction, we need to pass inspections for our work safety facilities by the work safety authorities. We are required to provide our employees with work safety education and training, as well as work safety equipment that meet the national and local standards. We are required to educate and supervise our employees to strictly follow our work safety rules and procedures. Based on the confirmations issued by relevant authorities, we have complied with relevant national and local work safety laws and regulations.

We have devoted a substantial amount of resources to work safety and accident prevention. We are committed to providing a safe and healthy working environment for our employees and have received GB/T 28001:2001 certification and passed the OHSAS 18001 verification standards for our occupational health and safety management system in January 2011. GB/T 28001:2001 is a voluntary national PRC standard for occupational health and safety management systems issued by the Standardization Administration of the PRC. Since the establishment of our Group, we have adopted and implemented a series of occupational health and safety procedures and measures for our business operations. We have formulated guidelines on occupational safety, such as production safety measures and procedures for handling certain emergency, to all employees. We hold monthly work safety meeting mechanism at various levels of our management to exchange information of recent experience and measures among our different operational divisions, review the issues discovered in the implementation of our work safety policies and improve our overall work safety and accident prevention. We also have a dedicated production safety management division, which is responsible for managing and implementing occupational health and safety practices at our facilities. All personnel of our production safety management division have taken training courses for work safety held by the government, and possess necessary qualification for work safety issued by the local government of Binzhou City. In addition, we have installed safety protection and inspection equipment at our work site, and we monitor all

equipment and facilities on a real time b

This section summarizes the principal PRC laws and regulations which are relevant to our business and operations. These include the laws and regulations relating to our aluminum production manufacturing and sales in the PRC and the relevant environmental protection, taxation, labor and foreign exchange laws and regulations. As this is a summary, it does not contain the detailed analysis of the PRC laws which are relevant to our business and operations.

Entry Conditions and Industry Policies

The Standard and Condition on Aluminum Industry(鋁行業規範條件)(the "Standard") was promulgated by Ministry of Industry and Information Technology of the People's Republic of China (the "Ministry of Industry and Information Technology") and came into force on February 28, 2020. The Standard applies to all enterprises involved in bauxite mining, aluminum smelting and aluminum processing in the PRC. It also stipulates certain conditions that the above-mentioned enterprises must meet, including product quality, technology and equipment, energy and resource consumption, environmental protection and production safety related conditions. The above-mentioned enterprises that have been completed and put into production for more than one year (inclusive) shall voluntarily apply for announcements in accordance with the Standard. The Ministry of Industry and Information Technology publicizes companies that meet the requirements of the regulations and announces that they would not object. The Ministry of Industry and Information Technology dynamically manages and announces the list of companies. Before the end of March each year, the supervised company should submit its self-inspection report of the previous year to the local provincial industry and information authority. The Standard and Condition on Aluminum Industry(鋁行業規範條件) promulgated on July 18, 2013 was abolished and replaced by the Standard.

According to the Notice of Guiding Opinions on Intensifying Structural Adjustments of the Aluminum Industry(□於加快鋁工業結　調整□導意見的□) issued by, among others, the NDRC, Ministry of Finance, Ministry of Land Resources (Fa Gai Yun Hang [2006] No. 589), as well as the Plan to Adjust and Reinvigorate Non-ferrous Metal Industries(有色金屬產業調整和□興規劃), issued by the General Office of the State Council in May 2009, the state government encourages aluminum production which is of high efficiency, low cost, low energy consumption, short processing cycle and is environmentally friendly. In addition, it encourages developing advanced aluminum fabrication products and calls for enhanced stability, reliability and cost reduction in aluminum production. The foregoing industry policies are intended to promote the integration of related businesses and development of high manufacturing standards at approved industrial bases, thereby improving their competitiveness.

Pursuant to the requirements of the Guiding Opinions on Further Improvement in Financial Services Support for Key Industries and Adjustment Revival and Control of Industries with Excess Capacity(□於□一□□好金融　務支□重點產業調整□興和抑制□分行業產能□剩的□導意見)(the "Guiding Opinions"), no credit support will be provided to projects that do not comply with the industry policies or Entry Conditions or those that do not meet the requirements of technology or capital adequacy. The enterprises or projects which are not in compliance with the Guiding Opinions and the Regulation, or industries that have been stated to have overcapacity, are prohibited from obtaining financial support through issuing new corporate bonds, short-term debentures, mid-term bills, convertible bonds and shares or an increase in the share capital.

The government of Zouping County approved the Decision on Establishment of Large-scale Aluminum Industry Cluster in Zouping Economic Development Zone(□於□發□建設國內大型鋁產業集群基地的決定)(the "Decision"), on January 8, 2009, pursuant to which Zouping County decided to establish and develop a large-scale aluminum cluster in Zouping Economic Development Zone. The Decision involves plans to develop the local aluminum industry cluster by taking advantage of the existing large number of aluminum industry enterprises in Zouping County and is in line with the energy-saving and emission reduction requirements of the State. In order to achieve the aforesaid goal, Zouping Economic

Development Zone shall take steps to ensure steady and sufficient supply of alumina within the cluster, and make full use of the existing energy advantage of Gaoxin, and shall reorganize and consolidate the alumina production capacity within the cluster.

The People's Government of Zouping County has prepared the Development Plan of Aluminum Industry Cluster in Zouping County(鄒平縣鋁產業集群發展規劃), which was approved by the People's Government of Binzhou City on May 7, 2010 (the "Plan"). The overall objective of the Plan is to give effect to the existing aluminum industry advantage of Zouping County, and to develop the aluminum industry cluster into the most profitable cluster with the longest industrial chain in Zouping County and with the most advanced technology and the most effective energy saving and emission reduction. The Plan encourages companies to adopt business models with the most effective energy saving and emission

According to the Environmental Protection Law of the PRC and other relevant laws and regulations, the construction, renovation and extension of all aluminum-processing projects must strictly conform to all aspects of the environmental impact assessment system. Production and sales activities may only be conducted after the relevant project has been inspected and approved and the requisite Permit for the Discharge of Pollutants has been issued. Furthermore, the Environmental Protection Law has been amended on April 24, 2014 and the amended Environmental Protection Law will become effective on January 1, 2015.

In addition, in the production and operation process, aluminum-processing enterprises must comply with the following laws and regulations related to environmental protection: the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污　防治法); the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污　防治法); the Law of the PRC on the Prevention and Control of Pollution from Solid Wastes (中華人民共和國固體廢物污　環境防治法); the Law of the PRC on Prevention and Contro

to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we or the Subsidiary Guarantors are treated as a PRC resident enterprise, interest in respect of the Notes or payments under the guarantees may be treated as income derived from sources within the PRC and may be subject to withholding tax and gains from the transfer of Notes might be subject to PRC tax, at a rate of 10% in the case of non-PRC resident enterprise holders (or 7% if the investors were Hong Kong residents) and at a rate of 20% in the case of non-PRC individual holders. In the event that we and/or our non-PRC subsidiaries are treated as a "resident enterprise" for enterprise income tax purposes, our and/or such subsidiaries' worldwide income, excluding dividends received from PRC subsidiaries, will be subject to PRC income tax.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements(國家稅務總局□於執行稅收□定股息條□有□問題的□ 知□), residents of counterparties to any tax treaties who own up to a certain proportion (25% or 10% in general) of capital of a PRC resident company paying dividends may be subject to taxation on such dividends at reduced tax rates provided by the applicable tax treaty. Any residents of the counterparties qualified to enjoy such tax benefits must: (1) be an enterprise subject to taxation on dividends in accordance with such tax arrangement; (2) directly own the required percentage in all equity interests and voting rights in such PRC resident company; (3) within anytime in the 12 consecutive months prior to receiving such dividends, directly own such percentage in the PRC resident company.

Pursuant to the Arrangement between the Mainland and the Hong Kong SAR for the Avoidance of Double Taxation and Tax Evasion on Income(內地和香港特別行政□□於□所得□免雙重徵稅和防□□□稅的安□), (the "Tax Arrangement"), where a Hong Kong enterprise directly holds at least 25% of shareholding of a PRC enterprise, the withholding tax rate in respect of the payment of dividends by such PRC enterprise to such Hong Kong enterprise may be reduced to 5% if the Hong Kong enterprise is the beneficial owner of the income and the PRC authorities approve the reduced rate. Otherwise, the

政策的公告》), effective from April 1, 2019, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

Urban Maintenance and Construction Tax and Education Surcharge

Pursuant to the Circular of the State Council on Unifying the System of Urban Maintenance and

in accordance with the contractual commitments. We are required to ensure adequate expenditures in order to comply with the above requirements on labor employment. If we fail to safeguard the legitimate rights of our employees to, among other things, wages, rest and holidays, or if we fail to enter into any labor contracts in writing with any employees according to the Labor Contract Law and comply with the terms of the respective labor contracts, we would be subject to penalties by competent authorities, including orders for correction and fines, and we may be obliged to compensate the respective employees. Our financial conditions and operating results may be adversely affected accordingly. As of December 31, 2020, we had not been subject to any material administrative penalties due to violation of the Labor Law, the Labor Contract Law and related regulations.

We are required to obtain Social Insurance Registration Certificate for the provision of social insurance to our employees.

Production Safety

Pursuant to the Production Safety Law of the PRC（中華人民共和國安全

If onshore institutions or onshore individuals propose to make an offshore direct investment or offshore issuance or trading of securities or derivative products, they shall complete the registration as required by the foreign exchange administrative department under the State Council. The foreign currency and the RMB converted from foreign currency under the capital accounts should be applied as approved by the relevant foreign exchange administration governmental authorities. Our PRC subsidiaries are required to abide by the relevant regulations on administration of foreign exchange. As of December 31, 2020, our Company has not been imposed any administrative penalties due to violation of foreign exchange laws and regulations.

SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (including its appendixes), or Circular 37, effective on July 4, 2014, which replaced the previous Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or Circular 75. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Such offshore entity being referred to as an offshore special purpose vehicle. In addition, such PRC residents must update their foreign exchange registrations with SAFE when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

Law of Wholly Foreign-Invested Enterprises

Pursuant to the Foreign Investment Law of the PRC (中華人民共和國外商投□法) as implemented by the Standing Committee of the National People's Congress on March 15, 2019 and entered into force on January 1, 2020, and the Implementation Regulations for the Foreign Investment Law of the PRC (中華人民共和國外商投□法實施條□) as promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. Foreign investors shall not invest in any field with investment prohibited by the negative list for foreign investment access. Foreign investors shall meet the investment conditions stipulated under the negative list for any field with investment restricted by the negative list for foreign investment access. For the fields not included in the negative list for foreign investment access, management shall be conducted under the principle of consistency for domestic and foreign investment. As a wholly foreign-invested enterprise, Shandong Hongqiao is required to comply with the Foreign Investment Law of the PRC and the implementation rules in respect of the establishment and operation of its business.

Product Quality Law

Pursuant to the Product Quality Law of the PRC (中華人民共和國產品□量法) as amended by the Standing Committee of the National People's Congress on July 8, 2000 and implemented since September 1, 2000, newly amended on December 29, 2018, a producer shall establish proper internal regulatory system for the management of product quality, strictly implement position-oriented quality standards, quality responsibilities and relevant measures for their assessment. A producer should be responsible for the quality of the products produced by it. The quality of the products is required to pass standard inspections. The State has implemented a supervision and inspection system based on random inspection which aims at testing those products that may cause injury to the health or safety of the human body and properties, important industrial products that significantly affect the national economy and other defective products that have been reported by consumers or relevant organizations. We are required under this law to produce aluminum products in accordance with product quality standards. In case of any defective quality issues of our products, we may be subject to complaint or legal proceedings and thus be liable to compensations and resulting legal costs, as well as penalties from competent authorities. Our goodwill in the market may also be adversely affected. Our Company's

financial conditions and results of operations may be adversely affected accordingly. We will be required to obtain a production license for our aluminum flat-rolled products and aluminum extrusion products to be produced in our Binzhou manufacturing base in the future, and those products shall also meet the specified quality standard.

DIRECTORS AND SENIOR MANAGEMENT DIRECTORS

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

Name	Age	Position

Ms. Zheng Shuliang (**鄭淑良**), aged 74, was appointed as the vice chairman and an executive Director of the Company on January 16, 2011. She joined the Group in July 2009. She successively 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 mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen. She is currently a director and the vice chairman of Shandong Hongqiao since January 2010 and a director of Weiqiao Alumina & Power since November 2011 and chairman of Binzhou Shiping Charity Foundation (since September 2020).

Ms. Zhang Ruilian (**張瑞蓮**), aged 43, was appointed as an executive Director of the Company on December 11, 2017. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經　管理學校) and obtained the diploma in accounting in July 1996. She obtained the bachelor's degree in accounting from Beijing Foreign Studies University in July 2019. She joined the Group in June 2006 and has over twenty years of experience in accounting. She is responsible for the supervision of the Group's finance and accounting affairs. She served as the manager of audit department of Chuangye Group from December 2005 to June 2006. She has been the head of financial department of Weiqiao Alumina & Power since June 2006, a director of Weiqiao Alumina & Power

doctorate in management majoring in management science and engineering in 2015. He served as the project supervisor of the asset preservation department and the project manager of the investment management department of CITIC Industrial Trust Investment Corporation(中□興業□託投□公□)(currently known as CITIC Trust Co., Ltd.(中□□託有限□任公□)) from December 1998 to September 2002. He held several positions in CITIC Trust Investment Co., Ltd.(中□□託投□有限□任公□)(currently known as CITIC Trust Co., Ltd.(中□□託有限□任公□)), as the project manager, senior manager and expert of the annuity trust department from September 2002 to February 2005 and as the head of the corporate integrated financial services team of from February 2005 to January 2006. He also successively held various positions in CITIC Trust Co., Ltd.(中□□託有限□任公□), as the general manager of the investment banking department I, the business director, deputy general manager, general manager and vice chairman from January 2006 to October 2020. Since October 2020, he has been the secretary of party committee, vice chairman and general manager of CITIC Trust Co., Ltd.(中□□託有限□任公□). He has also been a director of CTI Capital Management Limited(中□□惠國際□ 有限公□)

Independent Non-Executive Directors

Mr. Wen Xianjun (**文獻軍**), aged 59, was appointed as an independent non-executive Director on March 5, 2021. He graduated from Central South University (中南大學, formerly known as Central South Institute of Mining and Metallurgy (中南礦冶學院)) with a bachelor of engineering degree majoring in metallic materials in July 1984, and graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) with a master of engineering degree majoring in metallic materials in June 1990. He successively served as an associate engineer of Beijing Non-Ferrous Research Institute (北京有色金屬研究總院)

the Chinese Institute of Certified Public Accountants (山東省註冊　計師□　) and is a qualified middle level auditor. He worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑒 鑫　計師事務所有限公□)(formerly known as Zouping Jianxin Certified Public Accountants Corporation (鄒平鑒 鑫有限□任　計師事務所)) as an accountant from December 1999 to February 2007. He has been working in Zouping Hongrui Accounting & Consulting Services Center (鄒平宏瑞　計諮詢　務中心) as an accountant since February 2007.

Mr. Dong Xinyi (**董新義**), aged 44, was appointed as an independent non-executive Director on December 11, 2017. He graduated from Northwest Institute of Politics and Law (　□政法學院, currently known as Northwest University of Politics and Law (　□政法大學)) in Xi'an, Shanxi Province, the PRC with a bachelor of law degree majoring in international economic law in July 2000; from Korea University in Seoul, Korea with a master of law degree in August 2006 and the degree of doctor of philosophy in law in August 2009, respectively. He served as a clerk at the civil and administrative procuratorial office, the People's Procuratorate of Huangdao District, Qingdao City, Shandong Province from July 2000 to March 2004. He served as the department head of the legal affair department of Sino-Korea Future Urban Development Co., Ltd. (韓中　□城市□發株式　社) in Korea from July 2009 to July 2010. He served as a postdoctoral researcher at Law School of Renmin University of China (中國人民大學) from July 2010 to June 2012. Since July 2012, he has been serving

Company Secretary

Ms. Zhang Yuexia (**張月霞**), aged 45, was appointed as the secretary of the Company on January 16, 2011. She graduated from Binzhou Normal Specialised Postsecondary College (州師範專科學校),

During the same year, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the three years ended December 31, 2020 for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same year.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding beneficial ownership of our Shares as of the date of this offering memorandum by (i) our directors and (ii) those persons known by us to beneficially own 5% or more of our outstanding shares.

Name of beneficial shareholder	Capacity/nature of interest	Number of Shares	Approximately Percentage of shareholding
Shiping Prosperity Private Trust Company[1] . .	Trustee	6,076,513,573	66.62%
Hongqiao Holdings	Beneficial owner	6,076,513,573	66.62%
CITIC Group Corporation[2]	Interest in a controlled corporation	877,184,826	9.62%
CITIC Limited[2]	Interest in a controlled corporation	877,184,826	9.62%
CTICM[2]	Beneficial owner	806,640,670	8.84%
CNCB (Hong Kong) Investment Limited [2] . .	Benefil ioner.,526	.%	

RELATED PARTY TRANSACTIONS

The following discussion describes certain significant related party transactions between our consolidated subsidiaries and our Directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

The table below sets forth the name and relationship of our related parties with which we had significant related party transactions during the two years ended December 31, 2018, 2019 and 2020.

Name	Relationship
Chuangye Group	(1)
Binzhou Weiqiao Technology Industrial Park Co., Ltd. ("Binzhou Industrial Park")	Controlled by Chuangye Group
Shandong Ming Hong Textile Technology Co., Ltd. ("Ming Hong Textile")	Controlled by Chuangye Group
Zouping Weiqiao Renewable Resources Utilization Co., Ltd. ("Zouping Weiqiao")	Controlled by Chuangye Group
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd.	

The tables below sets forth our significant related party transactions for the periods indicated:

	Year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Purchases of water			
– Jinsha Water Supply	(14,269)	(19,160)	(24,037)
– Chuangye Group	–	(44,623)	(36,399)
Industrial waste expenses			
– Beihai Solid Waste	–	(169,814)	(183,227)
Purchases of bauxite			
– ABM	(685,170)	–	–
– GTS	(9,360,681)	(12,330,052)	(8,149,746)
– PT. Cita	–	(237,072)	(246,420)
Purchases of electricity			
– Binneng Energy	–	(2,266,852)	(9,580,417)
Purchases of anode carbon block			
– Innovation Carbon Materials	–	(248,095)	(650,379)
Sales of steam			
– Binzhou Industrial Park	22,794	17,518	10,354
– Ming Hong Textile	4,682	3,797	3,611
– Binzhou Investment	19,845	21,087	25,838
Sales of electricity			
– Innovation Carbon Materials	3,542	5,528	–
– Beihai Solid Waste	91	–	–
Sales of molten aluminum alloy			
– Caseman	1,848,553	2,890,663	–
Legal and professional fee			
– Shandong Ruixin	(5,004)	(4,767)	(7,615)
Sales of raw materials			
– Zouping Weiqiao	129	–	–
– Beihai Solid Waste	–	575	–
Lease payment			
– Chuangye Group	(2,375)	(2,614)	(6,353)
– PT. Lima Srikandi Jaya	–	(29)	–
– Harita Jayaraya	–	(1,410)	(1,387)
– PT. Mitra Kemakmuran Line	–	(133)	–
– PT. Antar Sarana Rekasa	–	(8,715)	(8,597)
Bank interest income			
– CITIC Bank Corporation	479	569	410
Interest income from an associate			
– Binneng Energy	–	62,000	133,569
Interest expenses on bank borrowings			
– CITIC Bank International	(67,582)	(97,944)	(28,901)
– CITIC Bank Corporation	(171,698)	(370,233)	(301,473)
Purchases of collective investment trust			
– CITIC Trust	–	(1,100,000)	(2,499,000)
Investment income			
– CITIC Trust	–	2,026	89,663

The table below sets forth the guarantees and security for the periods indicated:

	Year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Chuangye Group	299,000	299,000	1,299,000

Except as disclosed above and as disclosed elsewhere in our financial statements for 2018, 2019 and 2020 (and the notes thereto) included elsewhere (or incorporated by reference) in this offering memorandum, there was no related party transaction between us, our consolidated subsidiaries and our directors, executive officers and principal shareholders nor, in each case, the companies with whom they are affiliated, for the years indicated above.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

2021 CB

On January 25, 2021, we issued US$300,000,000 aggregate principal amount of 5.25% convertible bonds, convertible into fully-paid ordinary shares with a par value of US$0.01 each of the Shares. The January 2021 CB will mature on January 25, 2026. The January 2021 CB bear interest from (and including) January 25, 2021 at the rate of 5.25% per annum calculated by reference to the principal amount thereof and payable in US dollars semi-annually in arrears in equal installments in January and July in each year, commencing on July 25, 2021. The January 2021 CB constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the January 2021 CB) unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the January 2021 CB shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the terms and conditions of the January 2021 CB, at all times rank at least equally with all of its other present and future senior, unsecured and un-351.9(u)-4.8(n).9(-351.9the)-da9(to)-3(-351..8(secu)-v.5(-351.7(a)

As of the date of this offering memorandum, we had a total of US$300 million principal amount of the July 2019 Notes outstanding.

/ 2019

On October 2, 2019, we issued the October 2019 Notes with the aggregate principal amount of US$200,000,000, the material terms of which are set out below:

- the October 2019 Notes will mature on May 2, 2023;
- the October 2019 Notes bear interest at a rate of 7.375% per annum;
- at any time prior to May 2, 2022, we may at our option redeem the October 2019 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the October 2019 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date; and
- at any time and from time to time prior to May 2, 2022, we may at our option redeem up to 35% of the aggregate principal amount of the October 2019 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 107.375% of the principal amount of the October 2019 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

As of the date of this offering memorandum, we had a total of US$200 million principal amount of the October 2019 Notes outstanding.

F A

The Indonesia Facility

On November 25, 2019, our Indonesia subsidiary, PT. Well Harvest Winning Alumina Refinery, entered into an amendment and restatement agreement relating to a senior facilities agreement dated December 12, 2016 (the "Indonesia Phase I Facility") with, among others, PT B-2.50BEonesiT.4(w)-BS.9(T)1(ec[(Indonesia)-3-

The CBI August 2020 Facility

On August 21, 2020, we entered into a facility agreement with CBI as lender (the "CBI August 2020 Facility"), pursuant to which CBI agreed to advance to us term loans of up to US$95 million for the refinancing of our existing indebtedness.

The CBI August 2020 Facility will mature on the date that falls 364 days after August 21, 2020, with the principal amount payable in installments starting on December 31, 2020. The interest rate for all of the term loans is the LIBOR plus 3.5% per annum.

The CBI August 2020 Facility agreement contains certain financial covenants, such as consolidated tangible net worth requirement and certain customary events of default, including for non-payment of amounts under the facility, breaches of the terms of the facility agreement, insolvency and non-payment of financial indebtedness of any member of the Group.

The CBI March 2021 Facility

On March 30, 2021, we entered into a facility agreement with, among others, CBI as facility agent (the "CBI March 2021 Facility"), pursuant to which CBI agreed to advance to us term loans of up to US$200 million (including a greenshoe option) for, among others, the refinancing of our existing indebtedness and general corporate purposes.

The CBI March 2021 Facility will mature on the date which falls 36 months after March 30, 2021, with the principal amount payable in installments starting the date which falls 18 months after March 30, 2021. The interest rate for all the term loans is the LIBOR plus 3.80% per annum.

The CBI March 2021 Facility agreement contains certain financial covenants such as consolidated tangible net worth requirement and certain customary events of default, including for non-payment of amounts under the facility, breaches of the terms of the facility agreement, insolvency and non-payment of financial indebtedness of any member of the Group.

Onshore Loans

Bilateral Loan Arrangements

Our PRC subsidiaries have entered into bilateral loan agreements with a number of PRC banks, namely Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Everbright Bank, Evergrowing Bank, China Bohai Bank, Shanghai Pudong Development Bank and Industrial and Commercial Bank of China. The maturity of our loans generally ranges from less than one year to three years. Our bilateral loan agreements contain customary covenants and events of default.

We have both fixed rate and floating rate borrowings. Fixed rate borrowings are charged at the prevailing market rates ranging from 2.45% to 8.00% per annum as of December 31, 2020. Interests on our borrowings at floating rates are calculated based on the borrowing rates announced by the People's Bank of China.

Other Onshore Debt Financing

Our PRC subsidiaries also raised funds for our business and operation through issuance of corporate bonds and medium-term debentures in the PRC. The maturity of our corporate bonds and medium-term debentures generally ranges from five to seven years. Most of our corporate bonds and medium-term debentures contain redemption rights and interest adjustment mechanism. The effective interests for such bonds and medium-term debentures ranged from 3.84% to 8.69% per annum as at December 31, 2020.

All of our corporate bonds were listed in the PRC. Transaction documents for our corporate bonds and medium-term debentures contain customary covenants and events of .9(s)-.3

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Company" refers only to China Hongqiao Group Limited, a company incorporated with limited liability under the laws of the Cayman Islands, and any successor obligor on the Notes, and not to any of its Subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee."

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors and The Bank of New York Mellon, London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability and operating through its branch in London at One Canada Square, London E14 5AL, United Kingdom as trustee (the "Trustee").

The following is a summary of certain provisions

guarantor subsidiary in accordance with the procedures and subject to the limitations set forth below under the heading ''– Offshore Non-Guarantor Subsidiaries'' (each Offshore Subsidiary so designated, a ''New Offshore Non-Guarantor Subsidiary'' and, together with the Initial Offshore Non-Guarantor Subsidiaries, the ''Offshore Non-Guarantor Subsidiaries''). All of the Restricted Subsidiaries that are not Subsidiary Guarantors, including the PRC Non-Guarantor Subsidiaries, the Exempted Subsidiaries and the Offshore Non-Guarantor Subsidiaries, are collectively referred to herein as the ''Non-Guarantor Subsidiaries.''

Although the Indenture contains limitations on the amount of additional Indebtedness that the Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company. See ''Risk Factors – Risks Relating to the Notes – We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Notes.''

As of December 31, 2020,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total indebtedness of approximately RMB75,389.3 million (US$11,553.9 million), of which RMB8,453.8 million (US$1,295.6 million) was secured; and

- the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB66,935.5 million (US$10,258.3 million).

In addition, as of December 31, 2020, the Non-Guarantor Subsidiaries had capital commitments of approximately RMB2,205.2 million (US$338.0 million) and no contingent liabilities.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;

- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- ranks pari passu

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Subsidiary Guarantors will (1) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) irrevocably waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors – Risks Relating to the Guarantees – The guarantees may be challenged under applicable insolvency, fraudulent transfer or similar laws, which could impair the enforceability of the guarantees."

R G

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "– Defeasance – Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the designation by the Company of a Subsidiary Guarantor (other than Hongqiao Investment, Hongqiao Hong Kong and Hongqiao Trading) as an Offshore Non-Guarantor Subsidiary in compliance with the terms of the Indenture; or
- upon the sale, merger or disposition of a Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants described under the captions "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Certain Covenants – Limitation on Asset Sales," and "– Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

The Company or any of its Affiliates may from time to time purchase Notes in the open market or by

residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(D) the presentation of such Note (in cases in which presentation is required) for payment in a Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(iii) any tax, duty, assessment or other governmental ge to the extent such tax, duty, assessment or other governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere; or

(iv) any tax, assessment, withholding or deduction required by section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future U.S. Treasury Regulations or rulings promulgated thereunder, any intergovernmental ag419.1ment

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on any Note or under any Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Tax Reasons

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company (as defined under the caption "– Consolidation, Merger and Sale of Assets"), as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or

(2) any change in the existing official position, or the stating of an official position, regarding the

The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion. The Trustee is not obligated to investigate or verify any information in such certificate and opinion.

Any Notes that are redeemed or repurchased by the Company will be cancelled and will not be reissued and any Notes purchased by a Restricted Subsidiary will not be sold or transferred except to the Company.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

I

(a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); provided that the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness (including Acquired Indebtedness) and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).

(b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary, may Incur each and all of the following ("Permitted Indebtedness"):

  (i) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;

  (ii) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor;

  (iii) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(iv) of this covenant; provided that such Indebtedness of any Restricted Subsidiary shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded from the definition of Permitted Subsidiary Indebtedness by the terms thereof);

  (iv) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; provided that (x) any event which results in any such Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (b)(iv) and (y) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company or any Subsidiary Guarantor is an obligee, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;

  (v) Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness repaid

substantially concurrently with but in any



(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (v) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case, to the Company or any Restricted Subsidiary (except, in each case, to

of such employees or directors pursuant to agreements or plans (including employment agreements and share option plans) approved by the board of directors of the Company in an aggregate amount not to exceed US$1.0 million (or the Dollar Equivalent thereof) in any fiscal year of the Company;

(7) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;

(8) cash payment in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for the Capital Stock of the Company;

(9) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or the type of Indebtedness described under paragraph (b)(xvii) of the "– Limitation on Indebtedness and Preferred Stock" covenant;

(10) the repurchase of Capital Stock of the Company with respect to any fiscal year by the Company or any Restricted Subsidiary, provided that such repurchase of Capital Stock of the Company pursuant to this clause (10) shall not in the aggregate exceed US$30.0 million (or the Dollar Equivalent thereof) in any fiscal year of the Company; or

(11) other Restricted Payments in an aggregate amount not to exceed US$25.0 million (or the Dollar Equivalent thereof) after the Measurement Date.

provided that, in the case of clause (2), (3) or (4) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clause (1) of the preceding paragraph made after the Measurement Date shall be included in calculating whether the conditions of clause (C) of the first paragraph of this "– Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be their Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized international standing (i) if the determination is made for purposes of subclause (ii) of clause (C) of the first paragraph of this "– Limitation on Restricted Payments" covenant and (ii) if the determination is made for any other purposes of this "– Limitation on Restricted Payments" covenant and the Fair Market Value exceeds US$15.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$15.0 million (or the Dollar Equivalent thereof) (other than those under paragraphs (5) through (10) above), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "– Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

D */* *A*

(a) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(i) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(ii) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(iii) make loans or advances to the Company or any other Restricted Subsidiary; or

(v) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Limitation on Indebtedness and Preferred Stock" and "– Limitation on Asset Sales" covenants; or

(vi) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (a) or clause (b)(v), (vii), (xiii), (xiv) or (xv) of the "– Limitation on Indebtedness and Preferred Stock" covenant if such encumbrances or restrictions are (A) customary for such types of agreements and (B) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payments on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced, provided, further, that the Board of Directors is empowered to

(b) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$25.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(A) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary than the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and expenses to directors who are not employees of the Company or any Restricted Subsidiary for their service as board members of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption ''– Limitation on Restricted Payments'' if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; and

(6) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (6) or (7) of the second paragraph of the covenant described under the caption ''Limitation on Restricted Payments.''

The requirements of clause (ii) of the first paragraph of this covenant shall not apply to (A) Investments (other than Permitted Investments) not prohibited by the ''– Limitation on Restricted Payments'' covenant, (B) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification, renewal or replacement thereof, so long as such amendment, modification, renewal or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (C) any transaction between or among the Company or a Wholly Owned Restricted Subsidiary on the one hand and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary on the other hand or between or among Restricted Subsidiaries that are not Wholly (R)-2.69coced Su-3.7(ybsid)-4.5(iar-4.9(rins;)]TJ

In addition, the requirements of clause (ii)(B) of the first paragraph of this covenant shall not apply to any transaction between or among the Company and any Restricted Subsidiary on the one hand and an Unrestricted Subsidiary on the other hand provided that (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or a Restricted Subsidiary) of such Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Unrestricted Subsidiary or by reason of being a Subsidiary of the Company).

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

The Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; provided that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(a) the Company or any Restricted Subsidiary could have (1) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under clause (a) of the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock" and (2) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption "– Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(b) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction, provided however that such gross cash proceeds may be equal to 70.0% or more of the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction (notwithstanding the covenant described under the caption "– Limitation on Asset Sales" and clause (c) below) if (i) the counterparty of the Sales and Leaseback Transaction is a bank or a financial institution or any Person primarily engaged in the business of finance leasing, in each case that is not an Affiliate of the Company, (ii) the leaseback of the relevant property is accounted for using capital lease method or finance lease method under GAAP on the Company's consolidateds68tand9nch:69.2(leases)-398.8o-6..2

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(a) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(b) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(c) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$20.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

    (i) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and

    (ii) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or any Restricted Subsidiary, may apply such Net Cash Proceeds to:

(A) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(B) develop or acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (A) and (B) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$30.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equals or exceeds US$30.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

(i) accumulated Excess Proceeds, multiplied by

(ii) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company or any Restricted Subsidiary may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any other pari passu Indebtedness tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other pari passu Indebtedness will be purchased on a pro rata basis based on the principal amount of Notes and such other pari passu Indebtedness tendered. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

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The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; provided, however, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "– Limitation on Restricted Payments."

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (a) in the c(howevu-4.7(a)1.(ts-438.8(an)d-437.2(t)-.6(or-

being designated as a Restricted Subsidiary); and (e) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation as a Restricted Subsidiary execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor.

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The Company will, and will cause each Restricted Subsidiary to, (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, (b) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body,

then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(b) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (1) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent semi-annual fiscal periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, together with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; provided that the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a

Persons to exceed US$30.0 million (or the Dollar Equivalent thereof) (in excess of amounts that the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(h) the Company or any Restricted Subsidiary (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary, or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary, or (3) effects any general assignment for the benefit of creditors; or

(i) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default with respect to the Company specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to being indemnified and/or secured to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (g) or (h) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of all Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(x) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may, and shall upon written request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to being indemnified and/or secured to its satisfaction), pursue, in its own name or as trustee of an express trust,

any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. Subject to the provisions of the Indenture, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture unless indemnity and/or security satisfactory to the Trustee against any fee, cost, charge, loss, liability or expense which may be incurred by the Trustee as a result of such exercise has been offered to the Trustee.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, or conflicts with law or the Indenture that may involve the Trustee in personal liability, or that the Trustee determines may be unduly prejudicial to the rights of

(a) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, or from or through which it makes payments, and the Indenture and the Notes, shall remain in full force and effect;

(b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(c) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(d) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(e) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(f) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture.

No Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor), unless:

(a) such Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction;

(b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(c) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(d) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$l.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption ''– Certain Covenants – Limitation on Indebtedness and Preferred Stock''; and

(e) the Company delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

provided that this paragraph shall not apply to any sale or other disposition that complies with the ''Limitation on Asset Sales'' covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under ''The Subsidiary Guarantees – Release of the Subsidiary Guarantees.'' The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor survives such consolidation or merger.

Although there is a limited body of case law interpreting the phrase ''substantially all,'' there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve ''all or substantially all'' of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Company or the Subsidiary Guarantors that may adversely affect Holders.

No Payments for Consents

The Company will not and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes or any Subsidiary Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Defeasance

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The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(a) the Company has (1) deposited with the Trustee (or its agent), in trust, cash in U.S. dollars and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (2) delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the

Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and

Amendments and Waivers

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The Indenture, the Notes or the Subsidiary Guarantees may be amended by the Company, the Subsidiary Guarantors and the Trustee, without the consent of any Holder, to:

(a) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Subsidiary Guarantees or the Notes;

(b) comply with the provisions described under ‘‘Consolidation, Merger and Sale of Assets’’;

(c) evidence and provide for the acceptance of appointment by a successor Trustee;

(d) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;

(e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(f) add collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such additional collateral or to enter into any intercreditor agreement relating thereto;

(g) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(h) effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;

(i) make any other change that does not adversely affect the rights of any Holder; or

(j) conform the text of the Indenture, the Notes or the Subsidiary Guarantees, to any provision of this ‘‘Description of the Notes’’ to the extent that such provision in this ‘‘Description of the Notes’’ was intended to be a verbatim recitation of a provision in the Indenture, the Notes or the Subsidiary Guarantees.

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Amendments of the Indenture may be made by the Company, the Subsidiary Guarantors and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Company with any provision of the Indenture or the Notes; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Trustee and the Agents are permitted to engage in other transactions with the Company and its Affiliates and shall not be obligated to account for any profits therefrom; provided, however, that if the Trustee or any Agent acquires any conflicting interest, it must eliminate such conflict or resign.

Each Holder, by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the "Global Note"). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "book-entry interests") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "– Individual Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and "holders" of book-entry interests will not be considered the owners or "Holders" of the Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Company, the Trustee, the Agents or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Company and the Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "– Additional Amounts."

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, the Agents and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located

definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor) addressed to the Company at Huxian One Road, Zouping Economic Development District, Zouping City, Shandong Province, the People's Republic of China, Fax: +86 543 416 6000, Attention: Mrs. Zhang Ruilian; (if intended for the Trustee) addressed to Trustee at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable Euroclear or Clearstream procedures). The Company may change its address for notice set forth above by providing notice of such change to the Trustee in accordance herewith.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of the relevant clearing system. Any such notice shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Company and each of the Subsidiary Guarantors will irrevocably (i) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, the Indenture or any transaction contemplated thereby and (ii) designate and appoint Law Debenture Corporate Services Inc. at 801 2nd Avenue, Suite 403, New York, NY 10017, the United States of America, United States of America, for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for wmeno5.2(ddS9.4(to)(.)00

actively traded United States Treasury securities adjusted to constant maturity under the caption ‘‘Treasury Constant Maturities’’, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after June 8, 2024, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

‘‘Affiliate’’ means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition or (iii) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-

(c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$2.0

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Change of Control”

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided, that, only with respect to the measurement of the percentage of Total Assets represented by the Consolidated Assets of all Offshore Non-Guarantor Subsidiaries, Consolidated Assets shall be calculated after giving pro forma effect to any dividends or distributions paid by such Restricted

and (vii) any capitalized interest; provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(a) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except that:

    (i) subject to the exclusion contained in clause (e) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (c) below); and

    (ii) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(b) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement, currency hedge agreement, currency option agreement, accumulator or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “– Certain Covenants – Limitation on Asset Sales” and “Repurchase of Notes Upon a Change of Control” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “– Certain Covenants – Limitation on Asset Sales” and “Repurchase of Notes Upon a Change of Control” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by convue
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“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount

"GAAP" means International Financial Reporting Standards issued by the International Accounting Standards Board as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP.

"guarantee"

(f) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;

(g) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(h) to the extent not otherwise included in this definition, Hedging Obligations;

(i) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(j) any Preferred Stock issued by (i) such Person, if such Person is a Restricted Subsidiary or (ii) any Restricted Subsidiary of such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, "Indebtedness" shall not include any Entrusted Loans, any capital commitments, deferred payment obligation, pre-sale receipts in advance from customers or any contingent obligations to refund payments (including deposits) to customers (or any guarantee thereof) in connection with mandatory obligations under or pending completion of a customer contract, in each case, entered into in the ordinary course of business and in accordance with customary market practice; provided that, in each case, such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any time shall be the outstanding balance at such time of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided:

(A) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(B) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(C) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (b)(vi) of the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock"; and (ii) equal to the net amount payable if such Hedging Obligation terminated at or prior to that time due to a default by such Person if not Incurred pursuant to such clause.

"Indonesia" means the Republic of Indonesia.

"Interest Rate Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person,

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others),

(3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or

(4) any guarantee of any obligation of another Person to the extent such obligation is outstanding.

For the purposes of the provisions of the "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries", "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries" and "– Certain Covenants – Limitation on Restricted Payments" covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation (ii) if the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary

(4) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"November 2017 CB" means the 5.0% convertible bonds due 2022 issued by the Company in the aggregate principal amount of US$320,000,000 on November 28, 2017.

"October 2019 Notes" means the 7.375% senior notes due 2023 issued by the Company in the aggregate principal amount of US$ 200,000,000 on October 2, 2019.

"Offer to Purchase" means an offer to purchase the Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or integral multiples of US$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted

(10) Investments in securities or other obligations of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(11) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of a Permitted Business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet and dischargeable in accordance with customary terms;

(12) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers, compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(13) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case, in the ordinary course of a Permitted Business;

(14) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

(15) Investments made in a company organized under the laws of Bermuda or a holding company holding such company, which is, through its subsidiary, primarily engaged in bauxite mining business in the Republic of Guinea, in accordance with the memorandum of understanding described in the Company's announcement with The Stock Exchange of Hong Kong Limited dated June 3, 2014; provided that (i) the amount of any Investment made by the Company or any Restricted Subsidiary under this clause (15) shall be based on the Fair Market Value on the date of the Investment; (ii) the aggregate amount of the Investments (valued at the time such Investments were made) made pursuant to this clause (15) shall not exceed US$150.0 million; (iii) no Default shall have occurred and be continuing, as of the date of any Investment made under this clause (15), or would occur as a result of such Investment; and (iv) the Company could, as of the date of such Investments, Incur at least US$1.00 of Indebtedness under the proviso in paragraph (a) of the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock"; and

(16) any Investment by the Company or any Restricted Subsidiary in any Person primarily engaged in a Permitted Business; provided that:

(i) the aggregate of all Investments made under this clause (16) since the Original Issue Date shall not exceed in aggregate an amount equal to 3.0% of Total Assets, provided that such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (16), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income);

(B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person;

(C) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens incurred in the ordinary course of business securing reimbursement obligations with respect to letters of credit, trade guarantees, performance and surety bonds, completion guarantees and similar instruments that encumber documents and other property relating to such letters of credit, trade guarantees, performance and surety bonds, completion guarantees and similar instruments and the products and proceeds thereof;

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(vi) of the covenant under the caption "– Limitation on Indebtedness and Preferred Stock";

(11) Liens existing on the Original Issue Date;

(12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(v) of the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) any interest or title of a lessor in the property subject to any operating lease;

(14) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;

(15) Liens (including extensions and renewals thereof) upon real or personal property, assets or equipment acquired after the Original Issue Date by the Company or any Restricted Subsidiary; provided that (a) such Lien is created solely for the purpose of securing Indebtedness of thes e0TD-376(of-1.297

(20) Liens incurred on one or more PRC bank accounts to secure Bank Deposit Secured Indebtedness of the type described under clause (b)(xiii) of the covenant described under "– Limitation on Indebtedness and Preferred Stock";

(21) Liens on deposits or funds held in escrow arrangements securing Indebtedness permitted under clause (b)(x) of the covenant described under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(22) Bankers' Liens in the nature of setoff arising in the ordinary course of business and consistent with industry practice;

(23) Liens in favor of customs and revenue authorities arising by operation of law to secure payment of customs duties in connection with importation or exportation of goods in the ordinary course of business;

(24) Retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller, in each case in the ordinary course of business;

(25) Liens on real or personal property or assets of any PRC Non-Guarantor Subsidiary securing any Indebtedness of a PRC Non-Guarantor Subsidiary; provided that the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (25) does not exceed 200% of the aggregate prin(prop)-4lature t% oleLPRCri s e c u r i 2 1 . 1 (

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clauses (b)(i), (b)(ii), (b)(iv), (b)(vi), (b)(viii), (b)(ix), (b)(x), (b)(xi) and (b)(xii) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 30% of Total Assets.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party or parties to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in the City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) requested by the Company and quoted in writing by such Reference Treasury Dealer at 5:00 p.m., New York city time, on the third Business Day preceding such redemption date.

"Replacement Assets" means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and is or will become, upon the

“Senior Indebtedness” of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right o

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof and rated at least "A" by S&P or Moody's;

(6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Agricultural Bank of China, Bank of China, Bank of Communications, Industrial and Commercial Bank of China, China Construction Bank, China Development Bank and China Merchants Bank; (ii) a bank or trust company that is an Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of a bank or trust company described in clause (i) above; (iii) China CITIC Bank, China Everbright Bank, China Minsheng Banking Corp., Ltd., Hana Bank (China) Company Limited, Huaxia Bank, First Gulf Bank PJSC, Cathay United Bank Company, Limited, Wing Lung Bank Limited, China Development Industrial Bank, KDB Asia Limited, Korea Development Bank and United Overseas Bank Limited, Evergrowing Bank, Shandong Rural Commercial Bank, Rural Credit Cooperative of Binzhou City Bincheng District, Qishang Bank, China Bohai Bank, Bank of Beijing, Baoshang Bank, China Guangfa Bank Co., Ltd, Crédit Agricole Corporate and Investment Bank, Société Générale, ING Bank N.V., Standard Chartered Bank, Barclays Bank PLC, BNP Paribas, The Hongkong and Shanghai Banking Corporation, Deutsche Bank (China) Co., Ltd., Industrial Bank Co., Ltd, JPMorgan Chase Bank (China) Company Limited, Luso International Banking Ltd, Nanyang Commercial Bank (China) Limited, Ping An Bank, Shanghai Pudong Development Bank, The Bank of East Asia, Limited, The Royal Bank of Scotland (China) Co., Ltd, Westpac Banking Corporation, Xiamen International Bank; (iv) Bank Pan Indonesia Tbk, PT Bank Permata Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank Mandiri (Persero) Tbk, PT ANZ Panin Bank, PT Bank CIMB Niaga Tbk, PT Bank Panin Tbk, PT Bank Central Asia, PT Bank Sentral Republik Indonesia, PT Bank DBS Indonesia, Ecobank Guinea Conakry and International Commercial Bank Guinea; or (v) with any bank or financial institution organized under the laws of a country or jurisdiction in which the Company or any Restricted Subsidiary transacts business from time to time in the ordinary course of business, provided that in the case of this clause (v), on any date the aggregate amount of such deposits do not exceed (A) in any single bank, the higher of (x) US$30.0 million (or the Dollar Equivalent thereof) or (y) the Amount Borrowed from such bank and (B) 1.0% of Total Assets, in the aggregate in all such banks. The "Amount Borrowed" with respect to each such bank means the Dollar Equivalent of the amount that the Restricted Subsidiary has borrowed from such bank within the immediately preceding sixty (60) days and any interest payable thereon.

"Total Assets" means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual fiscal period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that (i) only with respect to clause (b)(vii) or (xiii) of the covenant described under the caption "– Certain Covenants – Limitation on Indebtedness and Preferred Stock"

Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands Taxation

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong and such revenue profits has Hong Kong source.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

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No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong, as is expected to be the case).

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

I C G

The EIT Law deems an enterprise established offshore but with "de facto management bodies" in the PRC to be a "resident enterprise" which is subject to the PRC EIT at a rate of 25% on its global taxable income, excluding dividends received from its PRC subsidiaries. There can be no assurance that we will not be treated as a PRC tax resident enterprise and interest in respect of the Notes and gain from the disposition of Notes may be subject to PRC tax. In 2009, the State Administration of Taxation issued guidance regarding the determination of the location of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, it is unclear whether this guidance also reflects the State Administration of Taxation's criteria for determining the location of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (such as our Company). If we are treated as a PRC "resident enterprise," we may be required to withhold PRC tax at a rate of 10% (or a lower treaty rate, if any) from interest payments to investors that are "non-PRC resident enterprises" and that do not have an establishment or place of business in the PRC, or that have

such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, if such interest is derived from sources within the PRC. In addition, any gain realized on the transfer of the Notes by such investors would be subject to PRC income tax at the rate of 10% (or a lower treaty rate, if any) if such gain is regarded as income derived from sources within the PRC. Interest or gains earned by non-resident individuals may be subject to such PRC tax at a rate of 20%. We currently take the position that we are not a PRC resident enterprise for tax purposes. However, we cannot assure you that the tax authorities will agree with our position. We have been advised by our PRC legal advisors, Allbright Beijing Law Office, that there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are treated as a PRC "resident enterprise," the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and be subject to PRC tax as described above, which may materially and adversely affect the value of investment in the Notes. See "Risk Factors – Risks Relating to Doing Business in the PRC.

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On March 23, 2016, MOF and SAT issued Circular 36, which introduced a new VAT from May 1, 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC.the event that fo reignentities or individuals do no t have a business establishment in the PRC, the purchaser of services shall act as the withholding agent unless otherwise provided for by

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each Initial Purchaser named below has severally agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite the Initial Purchaser's name.

Initial Purchaser	Principal Amount of Notes
China CITIC Bank International Limited	US$83,000,000
Crédit Agricole Corporate and Investment Bank	US$63,000,000
ING Bank N.V., Singapore Branch	US$33,000,000
UBS AG Hong Kong Branch	US$33,000,000
CMB International Capital Limited	US$33,000,000
DBS Bank Ltd..	US$33,000,000
Société Générale	US$32,000,000
ABCI Capital Limited	US$20,000,000
BOCI Asia Limited	US$20,000,000
CCB International Capital Limited	US$20,000,000
China International Capital Corporation Hong Kong Securities Limited	US$20,000,000
CNCB (Hong Kong) Capital Limited	US$20,000,000
Guosen Securities (HK) Brokerage Company Limited	US$10,000,000
Haitong International Securities Company Limited	US$20,000,000
Industrial and Commercial Bank of China (Asia) Limited	US$20,000,000
Orient Securities (Hong Kong) Limited	US$20,000,000
Standard Chartered Bank	US$20,000,000
Total	US$500,000,000

The Purchase Agreement provides that the obligation of the Initial Purchasers to pay for and accept delivery of the Notes is several and not joint and is subject to the approval of certain legal matters by their counsel and certain other conditions.

In addition, we have agreed with the Initial Purchasers that we will pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

We have agreed that, for a period until 45 days after the date of the Purchase Agreement, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or any of the Subsidiary Guarantors. The Initial Purchasers in their sole discretion may consent to the offering and sale of such securities by the Company or any of the Subsidiary Guarantors at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Approval in principle has been received from the SGX-ST for the listing and quotation of the Notes on the Official List of the SGX-ST. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering.

The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

The Initial Purchasers (or their affiliates or any other person acting for them) may engage in overallotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Overallotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distrib

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No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Initial Purchasers has further represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK.

For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; and

(iii) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Furthermore, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the "UK PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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The Notes have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") and any rules made thereunder; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes has been or will be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made thereunder.

Each Initial Purchaser has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("MAS"). Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be

made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and, has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore, as modified or amended from time to time (the "SFA")) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivative contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under section 309B(1)(c) of the SFA – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the "CMP Regulations 2018"),

C I

This offering memorandum does not constitute and shall not be construed as an offer or solicitation to the public in the Cayman Islands to subscribe for Notes. No invitation will be made directly or indirectly to any person resident or domiciled in the Cayman Islands to subscribe for any of the Notes and the Notes may not be offered or sold, directly or indirectly, in the Cayman Islands but the Notes may be acquired by Cayman Islands persons who receive the offer outside the Cayman Islands and in a manner which does not contravene the laws of the jurisdictions in which such offer is received.

B I

This offering memorandum does not constitute and shall not be construed as an offer or solicitation to the public in the BVI to subscribe for Notes. No invitation will be made directly or indirectly to any person resident or domiciled in the BVI to subscribe for any of the Notes and the Notes may not be offered or sold, directly or indirectly, in the BVI but the Notes may be acquired by BVI persons who receive the offer outside the BVI and in a manner which does not contravene the laws of the jurisdictions in which such offer is received.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, resale, pledge or other transfer of the Notes.

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Notes, including the Subsidiary Guarantees, if any (collectively, the "Securities"), you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:

    - the Securities have not been registered under the Securities Act or any other applicable securities laws;

    - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;

    - the Securities are being offered and sold on

6. You acknowledge that we, the Initial Purchasers, the Trustee, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us, the Transfer Agent and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Morgan, Lewis & Bockius

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 included in this offering memorandum have been audited by SHINEWING (HK) CPA Limited certified public accountants as stated in their reports included herein.

GENERAL INFORMATION

Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of Directors dated May 28, 2021.

Litigation

There are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees.

No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2020 that is material in the context of the issue of the Notes.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected free of charge

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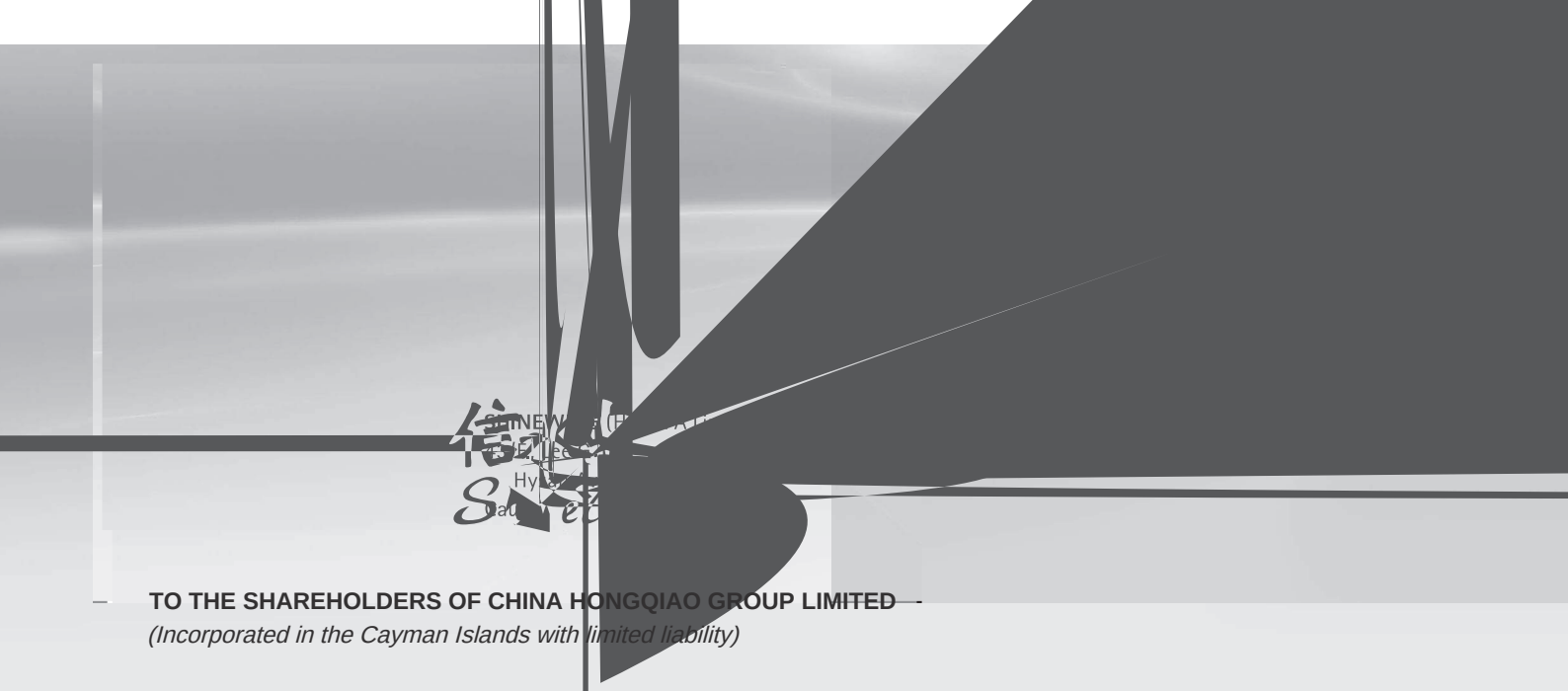
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TO THE SHAREHOLDERS OF CHINA HONGQIAO GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Hongqiao Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 72 to 198, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and o

KEY AUDIT MATTERS (Continued)

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

- Transactions with related parties and disclosure;
- Estimated allowance on inventories;
- Impairment assessment of goodwill;
- Impairment assessment of property, plant and equipment;
- Impairment assessment of interest in an associate; and
- Impairment assessment of loan to an associate.

TRANSACTIONS WITH RELATED PARTIES AND DISCLOSURE

Refer to note 55 to the consolidated financial statements.

The key audit matter	**How the matter was addressed in our audit**
The Group had significant amount of transactions with related parties in both trade and non-trade nature.	

KEY AUDIT MATTERS (Continued)

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 26 to the consolidated financial statements.

The key audit matter

As at 31 December 2019, the carrying amount of the inventories was approximately RMB21,846,922,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value.

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

How the matter was addressed in our audit

Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2019.

We have reviewed the utilisation of inventories and sales contracts awarded and entered into between the Group and the customers. We have also reviewed the subsequent selling prices of the inventories as at 31 December 2019 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

IMPAIRMENT ASSESSMENT OF GOODWILL

Refer to note 24 to the consolidated financial statements.

The key audit matter

As at 31 December 2019, the carrying amount of goodwill amounted to approximately RMB608,818,000. No impairment loss on goodwill was recognised for the year ended 31 December 2019.

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

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

How the matter was addressed in our audit

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

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

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 17 to the consolidated financial statements.

The key audit matter

As at 31 December 2019, the carrying amount of property, plant and equipment amounted to approximately RMB71,019,374,000. An impairment loss of property, plant and equipment of approximately RMB1,727,404,000, reversal of impairment of property, plant and equipment of approximately RMB968,480,000 and written off property, plant and equipment of approximately RMB292,479,000 were recognised for the year ended 31 December 2019.

We have identified the impairment assessment of the property, plant and equipment as a key audit matter since the carrying amount of property, plant and equipment was significant to the consolidated financial statements and significant judgements and estimates have been used by the management and independent valuer in determining the recoverable amount of property, plant and equipment.

How the matter was addressed in our audit

We obtained the full list of impaired, reversed and written off property, plant and equipment and performed physical inspection of major property, plant and equipment, with specific focus on those suspended property, plant and equipment and cross checked to the list obtained.

We obtained valuation report and considered the objectivity, independence and expertise of the valuer. We assessed the appropriateness of the valuation methodologies. We then challenged the reasonableness of methodologies and the use of market data and assumptions, such as cash flow projects and discount rates applied in determining the value-in-use and fair value less cost of disposal.

We also performed calculation check on the amounts of written off, the reversal of impairment loss in respect of property, plant and equipment recognised and provision of impairment loss for the year ended 31 December 2019.

IMPAIRMENT ASSESSMENT OF INTEREST IN AN ASSOCIATE

Refer to note 22 to the consolidated financial statements.

The key audit matter

During the year ended 31 December 2019, the Group acquired 45% equity interests in Zouping Binneng Energy Technology Co., Ltd * ("Binneng Energy") 鄒平濱能能源科技有限公司 at a total consideration of RMB2,250,000,000. Binneng Energy is classified as an associate of the Group.

As at 31 December 2019, the carrying amount of the Group's interest in Binneng Energy was amounted to approximately RMB2,204,748,000.

We have identified the impairment assessment of interest in Binneng Energy as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.

How the matter was addressed in our audit

Our procedures were designed to assess the management's process for identifying the existence of impairment indicators for the interest in Binneng Energy and to challenge the reasonableness of the recoverable amount, including projections of cash flows, discount rate and growth rates applied, and future prospects of Binneng Energy.

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF LOAN TO AN ASSOCIATE

Refer to note 23 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2019, the Group has a loan provided to Binneng Energy at carrying amount of RMB2,000,000,000. The loan provided to Binneng Energy is assessed for impairment individually and involves significant management judgement in assessing the expected credit loss, based on the historical credit loss experience, forward-looking factors specific to the associate and economic environment and the net realisable value of the underlying collateral received. We have identified the impairment assessment of loan to Binneng Energy as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.	Our procedures were designed to evaluate management's assessment of the credit quality of Binneng Energy by examining the Group's internal credit rating, repayment history, Binneng Energy's financial information and other relevant information, and checking the existence and recoverable amount of the collateral and the charge over the collateral.

* The English translation is for reference only

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

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

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

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

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

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

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

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

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

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

20 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	6	**84,179,288**	90,194,924
Cost of sales		**(67,715,035)**	(74,794,362)
Gross profit		**16,464,253**	15,400,562
Other income and gains	8	**3,140,517**	2,135,396
Selling and distribution expenses		**(449,041)**	(371,206)
Administrative expenses		**(3,645,691)**	(3,867,211)
Other expenses	9	**(2,166,798)**	(706,916)
Finance costs	10	**(5,219,595)**	(4,433,389)
Changes in fair values of financial instruments	34	**138,077**	397,683
Share of profits of associates	22	**509,345**	429,545
Loss on disposal of a subsidiary	50	**–**	(648,772)
Profit before taxation		**8,771,067**	8,335,692
Income tax expenses	11	**(2,315,924)**	(2,549,440)
Profit for the year	12	**6,455,143**	5,786,252
Attributable to:			
Owners of the Company		**6,095,335**	5,407,422
Non-controlling interests		**359,808**	378,830
		6,455,143	5,786,252
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**55,098**	147,321
Share of other comprehensive income of associates		**16,836**	75,295
		71,934	222,616
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on equity instruments at fair value changes through other comprehensive income		**(618,831)**	(67,936)
Total comprehensive income for the year, net of income tax		**5,908,246**	5,940,932
Total comprehensive income for the year attributable to			
Owners of the Company		**5,525,864**	5,504,647
Non-controlling interests		**382,382**	436,285
		5,908,246	5,940,932
Earnings per share	16		
– Basic (RMB)		**0.7087**	0.6218
– Diluted (RMB)		**0.6979**	0.5936

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**71,019,374**	76,361,390
Right-of-use assets	18	**5,152,415**	–
Intangible assets	19	**24,884**	22,673
Prepaid lease payments	20	**–**	4,915,054
Investment properties	21	**–**	143,606
Deposits paid for acquisition of property, plant and equipment		**513,617**	206,324
Deferred tax assets	43	**2,084,454**	1,865,927
Interests in associates	22	**4,723,329**	1,895,401
Loan to an associate	23	**2,000,000**	–
Goodwill	24	23,329	RMB'000

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 46(d))	Capital reserve RMB'000 (Note 46(a))	Translation reserve RMB'000 (Note 46(c))	Statutory surplus reserve RMB'000 (Note 46(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	566,172	19,829,421	(67,936)	783,942	223,665	7,204,845	31,425,252	59,965,361	2,654,136	62,619,497
Profit for the year	-	-	-	-	-	-	6,095,335	6,095,335	359,808	6,455,143
Other comprehensive (expense) income for the year:										
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(618,831)	-	-	-	-	(618,831)	-	(618,831)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	32,524	-	-	32,524	22,574	55,098
Share of other comprehensive income of associates	-	-	-	-	16,836	-	-	16,836	-	16,836
Total comprehensive (expense) income	-	-	(618,831)	-	49,360	-	6,095,335	5,525,864	382,382	5,908,246
Capital contribution	-	-	-	-	-	-	-	-	10,000	10,000
Change in ownership in interest in subsidiaries (note 51)	-	-	-	5,375	-	-	-	5,375	(81,345)	(75,970)
Shares repurchased and cancelled (note 45)										

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 46(d))	Capital reserve RMB'000 (Note 46(a))	Translation reserve RMB'000 (Note 46(c))	Statutory surplus reserve RMB'000 (Note 46(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	526,966	14,946,158	–	1,068,349	58,504	5,996,316	28,923,423	51,519,716	2,217,851	53,737,567
Profit for the year	–	–	–	–	–	–	5,407,422	5,407,422	378,830	5,786,252
Other comprehensive (expense) income for the year:										
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(67,936)	–	–	–	–	(67,936)	–	(67,936)
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	89,866	–	–	89,866	57,455	147,321
Share of other comprehensive income of associates	–	–	–	–	75,295	–	–	75,295	–	75,295
Total comprehensive (expense) income	–	–	(67,936)	–	165,161	–	5,407,422	5,504,647	436,285	5,940,932
Issue of shares (note 45)	41,710	5,079,271	–	–	–	–	–	5,120,981	–	5,120,981
Transaction costs attributable to issue of shares (note 45)	–	(60,822)	–	–	–	–	–	(60,822)	–	(60,822)
Issue of shares upon conversion of convertible bonds (note 45)	4,495	468,753	–	–	–	–	–	473,248	–	473,248
Shares repurchased and cancelled (note 45)	(6,999)	(603,939)	–	–	–	–	–	(610,938)	–	(610,938)
Transfer of reserves	–	–	–	–	–	1,208,529	(1,208,529)	–	–	–
Consideration for acquisition of a subsidiary under common control (note 2)	–	–	–	(284,407)	–	–	–	(284,407)	–	(284,407)
Dividend paid (note 15)	–	–	–	–	–	–	(1,697,064)	(1,697,064)	–	(1,697,064)
	39,206	4,883,263	–	(284,407)	–	1,208,529	(2,905,593)	2,940,998	–	2,940,998
At 31 December 2018	566,172	19,829,421	(67,936)	783,942	223,665	7,204,845	31,425,252	59,965,361	2,654,136	62,619,497

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**8,771,067**	8,335,692
Adjustments for:		
Interest income	**(422,460)**	(750,630)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019

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

In the current year, the Group has applied, for its first time, the following new and amendments to IFRSs, which include IFRSs, International Accounting Standards ("IAS(s)") and Interpretations ("Int(s)"), issued by the International Accounting Standards Board (the "IASB").

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures

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

3.1 Impacts on adoption of IFRS 16 *Leases* (Continued)

The Group as lessee

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.57%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under IAS 17.

The following table summarises the impact of transition to IFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount On adoptioued)	

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

3.1 Impacts on adoption of IFRS 16 *Leases* (Continued)

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	78,616
Discounted using the incremental borrowing rate at 1 January 2019	(24,052)
	54,564002 Tc 9 0 0 9 5

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

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

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

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

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

Amendments to IFRS 3 Definition of a Business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is

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

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The 0 2.4115 9 78.4487 650.4951 of x

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control the former 03annsfm-mbinations

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

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

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

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

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

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

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

Goodwill

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

Interests in associates

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

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

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

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

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

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether there is an objective evidence that the net investment in the associate is impaired. 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 is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

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

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

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

Contract liabilities

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

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Accounting policy applicable on or after 1 January 2019

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable on or after 1 January 2019 (Continued)

The Group as lessee (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

Accounting policy applicable prior to 1 January 2019

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

The Group as lessor

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

The Group as lessee

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable prior to 1 January 2019 (Continued)

Leasehold land and building

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

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

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

Retirement benefits costs and termination benefits

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

Short-term and other long-term employee benefits

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

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

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



4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different ~~taxable~~ entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

Property, plant and equipment

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

Ownership interests in leasehold land and buildings

For payments of ownership interest of properties which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IntaoTpele assets (Continued)

Internally-generated intaoTpele assets – research and development expenditure

An internally-generated intaoTpele asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intaoTpele asset so that it will be availaele for use or sale;
- the intention to complete the intaoTpele asset and use or sell it;
- the ability to use or sell the intaoTpele asset;
- how the intaoTpele asset will generate probaele future economic benefits;
- the availaeility of adequate technical, financial and other resources to complete the development and to use or sell the intaoTpele asset; and
- the ability to measure reliaely the expenditure attributaele to the intaoTpele asset during its development.

The amount initially recognised for internally-generated intaoTpele asset is the sum of the expenditure incurred from the date when the intaoTpele asset first meets the recognition criteria listed above. Where no internally-generated intaoTpele asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intaoTpele asset is measured on the same basis as intaoTpele assets acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

IntaoTpele asset acquired in a business combination

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

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

Investments in subsidiaries

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments as at FVTOCI

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

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

Financial assets at FVTPL

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

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item. Fair value is determined in the manner described in note 48.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

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

- it is a derivative.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

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

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

Write-off policy

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Financial liabilities subsequently measured at amortised cost

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

4. SIGNIFICANT ACCOUNTING POLICIES (Cont

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgements in applying accounting policies

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

Ownership of the land and buildings

Despite the Group has paid the full purchase consideration as detailed in notes 17 and 18, formal titles of certain of the Group's rights to the use of the land and buildings were not yet granted from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal title, the directors of Company determine to recognise these lands and buildings on the ground that they expect the legal titles being obtained in the future should have no major difficulties and the Group is in substance controlling these lands and buildings. In the opinion of the directors of Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

Controls in subsidiaries

As per note 60 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") is a subsidiary of the Group even through the Group has only a 28.18% ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in PRC and its shares are listed on the Shenzhen Stock Exchange. The Group has had 28.18% ownership interest since May 2017 and the remaining 71.82% of the ownership interests are held by numerous shareholders that are unrelated to the Group.

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

Withholding tax provision on profit appropriation

The Group provides for withholding taxes of 10% on certain of its PRC subsidiaries' distributable profits generated from 1 January 2011 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2019, the amounts provided for withholding tax was approximately RMB403,299,000 (2018: RMB324,694,000). Further details are given in note 43 to the consolidated financial statements.

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

Critical judgements in applying accounting policies (Continued)

Related party transactions

As per note 55 to the consolidated financial statements, the directors of the Company considered various entities, which are either associates of the Group or companies controlled or significantly influenced by a controlling shareholder of the Company and shareholder of the Company, are related parties of the Group.

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

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use/fair value less costs of disposal of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Estimating the fair value less costs of disposal requires the Group to make estimates on the blockage discount factor to be applied in selling its entire interests in the CGU and transaction costs involved. The carrying amount of goodwill at 31 December 2019 was approximately RMB608,818,000 (2018: RMB608,818,000), net of accumulated impairment losses of approximately RMB1,325,639,000 (2018: RMB1,325,639,000). Further details are given in note 24.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses and decelerated tax depreciation at 31 December 2019 were approximately RMB44,049,000 (2018: RMB186,040,000) and approximately RMB1,192,626,000 (2018: RMB1,037,038,000), respectively. The amount of unrecognised tax losses at 31 December 2019 was approximately RMB4,940,575,000 (2018: RMB3,789,070,000). Further details are contained in note 43.

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

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical

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

Key sources of estimation uncertainty (Continued)

Fair value of derivatives component of convertible bonds

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amounts of derivatives component of convertible bonds of approximately RMB279,937,000 (2018: RMB415,195,000) as at 31 December 2019 are set out in note 42.

6. REVENUE

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

	2019	2018
	RMB'000	RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**59,341,583**	67,420,193
– aluminum alloy ingots	**2,549,466**	4,096,199
– aluminum fabrication	**9,104,598**	7,134,952
– alumina	**12,521,125**	11,044,951
Steam supply income	**662,516**	498,629
	84,179,288	90,194,924

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

	2019	2018
	RMB'000	RMB'000
Geographical re20 m317.232 0 lSQBT3B05.795 ,6373S0 2S 0.2cal rThe PRC-0.0002 Tc -9.39.443BT28 006 94.		

7. SEGMENT INFORMATION

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

Geographic information

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

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

	Non-current assets	
	2019	2018
	RMB'000	RMB'000
PRC	**74,813,770**	77,649,656
Indonesia	**6,461,285**	5,748,658
	81,275,055	83,398,314

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

Information about major customers

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

	2019	2018
	RMB'000	RMB'000
Customer A	**30,033,675**	36,027,053

8. OTHER INCOME AND GAINS

	2019 RMB'000	2018 RMB'000
Bank interest income	**122,338**	113,424
Other interest income	**176,144**	72,405
Investment income	**2,026**	–
Loan receivables interest income	**–**	506,085
Interest income from an associate	**62,000**	–
Imputed interest on receivables arising from disposal of a subsidiary (note 50)	**57,926**	58,716
Gain from sales of raw materials and scraps materials	**430,739**	247,614
Gain from sales of slag of carbon anode blocks	**701,401**	899,878
Gain on bargain purchase (note 49)	**3,282**	–
Gain on disposal of property, plant and equipment	**21,631**	7,292
Gain on disposal of investment properties	**379,542**	–
Reversal of impairment of property, plant and equipment (note (i))	**968,480**	–
Reversal of impairment of inventories	**69,366**	62,370
Reversal of impairment of trade receivables	**–**	9,047
Reversal of impairment of other receivables	**13,335**	–
Amortisation of deferred income (note 44)	**22,746**	23,732

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9. OTHER EXPENSES

	2019 RMB'000	2018

11. INCOME TAX EXPENSES (Continued)

The subsidiaries incorporated in BVI, Singapore and Guinea had no assessable profits since their incorporation.

A subsidiary operating in Indonesia is subject to corporate tax rate of Indonesia at 25% for the years ended 31 December 2019 and 2018.

An Indonesia withholding income tax of 10% levied on the Company when the Indonesia subsidiary paid dividend out of profits earned to the Company in 2019.

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 changed from 5% to 10% due to the applicability of the Sino-Hong Kong tax treaty during the year ended 31 December 2015. An amount of deferred tax liability of approximately RMB78,605,000 (2018: RMB182,433,000) is recognised in respect of the PRC subsidiaries' undistributed profits.

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

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**8,771,067**	8,335,692
Tax at the domestic income tax rate of 25% (note i)	**2,192,767**	2,083,923
Tax effect of income not taxable for tax purpose	**(90,833)**	(198,191)
Tax effect of expenses not deductible for tax purpose	**118,807**	138,712

11. INCOME TAX EXPENSES (Continued)

Notes:

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

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

Details of the deferred taxation are set out in note 43.

12. PROFIT FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 13)	**4,666**	5,675
Salaries and allowances (excluding directors' and chief executive's emoluments)	**3,367,504**	3,224,888
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**125,646**	142,263
Total staff costs	**3,497,816**	3,372,826
Auditor's remuneration	**4,200**	4,200
Amortisation of prepaid lease payments	**–**	167,827
Amortisation of intangible assets	**3,789**	2,924
Cost of inventories recognised as an expense	**66,909,563**	73,815,240
Depreciation of property, plant and equipment	**7,218,007**	7,168,500
Depreciation of investment properties	**1,121**	7,325
Depreciation of right-of-use assets	**190,791**	–
Investment loss on derivatives, net	**–**	57
Foreign exchange losses, net	**178,459**	794,178
Research and development expenses (note)	**800,251**	760,849
Gross rental income from investment properties	**6,207**	15,976
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**(99)**	(236)
	6,108	15,740

Note: Included in research and development expenses was staff cost of RMB127,697,000 (2018: RMB121,660,000) which has been included in staff costs disclosure above.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 10 (2018: 11) directors and the chief executive were as follows:

13. DIRECTORS' AND CHIEF EXECUTIVE'17.4 a6379279otr1OLUMENT6379279ot(.) (C(.)32)1on.ine



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:

	2019 RMB'000	2018 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**6,095,335**	5,407,422
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**210,102**	193,010
Changes in fair values of derivatives component of convertible bonds	**(140,558)**	(397,683)
Exchange loss on translation of convertible bonds	**20,456**	112,322
Earnings for the purpose of diluted earnings per share	**6,185,335**	5,315,071

	2019 '000	2018 '000

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2018	36,733,734	71,555,504	73,643	78,762	6,200,451	114,642,094
Additions	324,315	275,141	2,750	6,871	1,946,960	2,556,037
Transfer	595,534	650,262	–	–	(1,245,796)	–
Disposals	(132,644)	(1,122,990)	(413)	(3,840)	–	(1,259,887)
Disposal of a subsidiary (note 50)	(1,440,601)	(1,656,132)	(2,010)	(2,256)	(414,590)	(3,515,589)
Exchange realignment	188,568	62,885	518	450	54,364	306,785
At 31 December 2018 and 1 January 2019	36,268,906	69,764,670	74,488	79,987	6,541,389	112,729,440
Additions	3,051	55,581	12,934	8,965	3,347,531	3,428,062
Additions from new acquired subsidiary	–	377,627	3,167	876	39,930	421,600
Transfer	3,325,155	3,465,091	–	–	(6,790,246)	–
Disposals	(132,643)	(2,265,722)	–	(10,756)	–	(2,409,121)
Write-offs	–	(673,493)	–	–	–	(673,493)

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 vehicles	10 years

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

At 31 December 2019, certain of the Group's buildings with a net carrying amount of approximately RMB11,121,259,000 (2018: RMB9,282,147,000) were pledged to secure bank borrowings of the Group (note 37).

There are properties with a carrying amount of approximately RMB4,488,324,000 (2018: RMB5,189,424,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

18. LEASES

(i) Right-of-use assets

	Land use rights RMB'000	Properties RMB'000	Vessels, crew boats and crane barge RMB'000	Total RMB'000
COST				
As at 1 January 2019 (note 3)	**5,047,468**	**54,564**	**–**	**5,102,032**
Additions	**125,683**	**36,145**	**21,899**	**183,727**
Transfer from investment properties	**59,706**	**–**	**–**	**59,706**
Exchange difference	**730**	**117**	**773**	**1,620**
At 31 December 2019	**5,233,587**	**90,826**	**22,672**	**5,347,085**
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 January 2019 (note 3)	**–**	**–**	**–**	**–**
Impairment loss recognised in profit or loss	**3,449**	**–**	**–**	**3,449**
Depreciation for the year	**168,773**	**16,610**	**5,408**	**190,791**
Exchange difference	**229**	**36**	**165**	**430**
At 31 December 2019	**172,451**	**16,646**	**5,573**	**194,670**
CARRYING VALUES				
At 31 December 2019	**5,061,136**	**74,180**	**17,099**	**5,152,415**

18. LEASES (Continued)

(iii) Amounts recongised in profit or loss

	For the year ended 31 December 2019 RMB'000
Interest expense on lease liabilities	**3,481**
Expense relating to short-term leases	**176**

(iv) Others

During the year ended 31 December 2019, the total cash outflow for leases amounted to RMB26,192,000.

19. INTANGIBLE ASSETS

	Patents RMB'000
COST	
At 1 January 2018	**14,970**
Additions	**11,625**
At 31 December 2018 and 1 January 2019	**26,595**
Additions	**5,994**
Acquired on acquisition of a subsidiary	**6**
At 31 December 2019	**32,595**
ACCUMULATED AMORTISATION	
At 1 January 2018	**998**
Provided for the year	**2,924**
At 31 December 2018 and 1 January 2019	**3,922**
Provided for the year	**3,789**
At 31 December 2019	**7,711**
CARRYING VALUES	
At 31 December 2019	**24,884**
At 31 December 2018	**22,673**

19. INTANGIBLE ASSETS (Continued)

Above patents were acquired from third parties and purchased as part of a business combination in prior years and in current year.

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

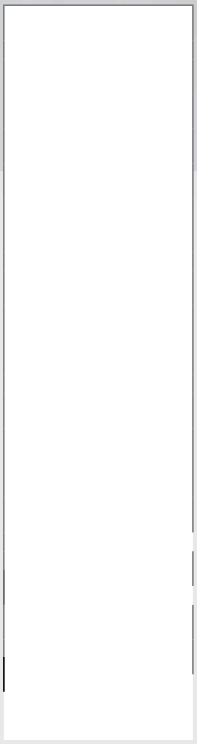
20. PREPAID LEASE PAYMENTS

	2018 RMB'000
Carrying amount at 1 January	3,892,689
Addition during the year	1,321,230
Amortisation during the year	(167,827)
Exchange realignment	1,376
Carrying amount at 31 December	5,047,468
Analysed for reporting purposes as:	
Current assets	132,414
Non-current assets	4,915,054
	5,047,468

The amount represents the prepayment of rentals for land use rights in the PRC and Indonesia for a period of 20 to 70 years. Upon adoption of IFRS 16 on 1 January 2019, the carrying amount of prepaid lease payments of RMB5,047,468,000 was reclassified to right-of-use assets.

As at 31 December 2018, included in prepaid lease payments are land use rights with carrying amount of approximately RMB1,125,462,000 which are located in the PRC. The Group is in the process of obtaining the land use right certificates.

21. INVESTMENT PROPERTIES



21. INVESTMENT PROPERTIES (Continued)

22. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Costs of investments in associates	**2,433,261**	123,140
Share of profits and other comprehensive income, net of dividends received	**1,522,686**	1,017,309
	3,955,947	1,140,449
Loan to an associate	**767,382**	754,952
	4,723,329	1,895,401

The loan to associate of US$110,000,000, equivalent to approximately RMB767,382,000, (2018: US$110,000,000, equivalent to approximately RMB754,952,000) are unsecured, interest-free and repayable after one year.

The Group's payable balances with the associates are disclosed in note 55.

As at 31 December 2019 and 2018, 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
					2019	2018	**2019**	2018	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Zhongheng Xieli Investment Co., Ltd.* ("中衡協力投資有公司")	Established	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Inactive
GTS Global Trading Pte. Ltd. ("GTS")	Incorporated	Singapore	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Shandong Innovation Carbon New Material Co., Ltd. ("Innovation Carbon New Material") * ("山東創新炭材料有限公司")	Incorporated	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Trading of carbon
Winning Consortium Railway Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**29%**	29%	**29%**	29%	Railway design and construction

22. INTERESTS IN ASSOCIATES (Continued)

The summarised financial information in respect of the associates that are material to the Group and accounted for using equity method is set out below: (Continued)

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

	2019 RMB'000	2018 RMB'000
Net assets of the associate	**5,655,935**	3,847,124
Proportion of the Group's ownership interest in ABM	**25%**	25%
Carrying amount of the Group's interest in ABM	**1,413,984**	961,781

Binneng Energy

	2019 RMB'000	2018 RMB'000
Non-current assets	**13,149,116**	–
Current assets	**1,082,218**	–
Non-current liabilities	**(4,500,000)**	–
Current liabilities	**(4,831,895)**	–
Revenue	**2,267,211**	–
Loss for the year and total comprehensive expense for the year	**(100,561)**	–

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

22. INTERESTS IN ASSOCIATES (Continued)

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:

	2019 RMB'000	2018 RMB'000
The Group's share of profit	**107,521**	54,472
The Group's share of other comprehensive (expenses) income	**(740)**	1,447
The Group's share of total comprehensive income	**106,781**	55,919
Elimination of realised (unrealised) profits	**12,449**	(17,587)

	2019 RMB'000	2018 RMB'000
Carrying amount of the Group's interests in immaterial associates	**337,215**	178,668

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:

	2019 RMB'000	2018 RMB'000
Unrecognised share of profits of associates for the year	**7,805**	15,381

	2019 RMB'000	2018 RMB'000
Accumulated unrecognised share of losses of associates	**–**	7,805

23. LOAN TO AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Loan to an associate	**2,000,000**	–

The balance of loan to an associate is secured by plant and equipment of the associate, bearing interest at 6% per annum and repayable on 20 June 2021.

24. GOODWILL

	2019 RMB'000	2018 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
ACCUMULATED IMPAIRMENT LOSSES		
At beginning of the financial year	**1,325,639**	668,694
Impairment loss recognised during the year	**–**	656,945
At the end of the financial year	**1,325,639**	1,325,639
CARRYING AMOUNT		
At 31 December	**608,818**	608,818

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

During the year ended 31 December 2019, no impairment loss is recognised (2018: RMB656,945,000) in relation to goodwill arising on acquisition of Hongchuang. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang for the year ended 31 December 2018.

Impairment test on goodwill

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

24. GOODWILL (Continued)

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

Unit A

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and pre-tax discount rate of 21.33% (2018: 21.65%). Unit A's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

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

Unit B

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and a pre-tax discount rate of 21.33% (2018: 21.65%). Unit B's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

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

Hongchuang

The recoverable amount of this CGU approximates to RMB730,347,000 (2018: RMB678,334,000) has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang, and a blockage discount factor of 5.57% (2018: 5.08%) and relevant transaction costs.

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

The fair value hierarchy as at 31 December 2019 and 2018 of Hongchuang are at Level 2. There were no transfers between fair value hierarchies during the year.

25. FINANCIAL ASSETS AT FVTOCI

Financial assets at FVTOCI comprise:

	2019 RMB'000	2018 RMB'000
Equity instruments as at FVTOCI		
– Listed	**289,339**	908,170

The fair value of these investments is disclosed in note 48.

Investments in listed equity securities represent the Group's investment in Bank of Jinzhou, a company listed in Hong Kong and engaged in the provision of corporate and retail deposits, loans and advances, payment

27. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**10,318,327**	6,757,303
Less: allowance for impairment losses	**(7,001)**	(6,725)
	10,311,326	6,750,578

At as 31 December 2019, the gross amount of trade receivable arising from contracts with customers amounted to RMB10,318,327,000 (2018: RMB6,757,303,000).

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-4x50,578

27. TRADE RECEIVABLES (Continued)

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant. As at 31 December 2019, lifetime ECL of approximately RMB7,001,000 (2018: RMB6,725,000) has been made in respect of trade receivables with gross amount of RMB7,001,000 (2018: RMB6,725,000) as they are determined to be credit impaired. For the remaining balance of approximately RMB10,311,326,000 (2018: RMB6,750,578,000), the Group determines the ECL based on a provision matrix grouped by the past due status of these receivables. However, no loss allowance was made on these receivables as the identified impairment loss is immaterial.

The provision matrix of trade receivables is set out below:

For the year ended 31 December 2019

28. BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Bills receivables	**11,139,775**	11,726,626

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**6,343,124**	6,319,777
3 to 6 months	**4,416,395**	5,046,349
OknTj/T( )0 Td(5,046,349)Tj-0.0001 Tc u,046,349		
[illegible]		

29. PREPAYMENTS AND OTHER RECEIVABLES

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

	2018 RMB'000
Prepayments to suppliers	1,386,528
Prepayments to an associate (note (ii))	–
Value-added tax recoverable	1,205,447
CIT refundable	80,404
Receivables arising from dealing with futures	102,411
Receivables arising from disposal of a subsidiary (note 50)	1,417,074
Receivables arising from dealing with investment	–
Insurance recoverable	–
Factoring receivables (note (i))	323,627
Interest receivables	539
Dividend receivables	–
Others	269,891
	4,785,921
Less: allowance for impairment losses	(38,458)
	4,747,463

31. OTHER FINANCIAL ASSET/LIABILITIES

	2019 RMB'000	2018 RMB'000
Other financial asset		
Capped forward contract	**819**	–
Other financial liabilities		
Interest rate swaps contracts	**3,300**	–

Year ended 31 December 2019

Major terms of the capped forward contract are as follows:

Notional amount	Maturity	Exchange rate
US$10,000,000	20 July 2022	Buy US$/Sell RMB at 6.90 to 7.01

Major terms of the interest rate swaps are as follows:

Notional amount	Maturity	Swaps
US$ 20,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR
US$ 25,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR

32. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**41,857,116**	45,380,413
Restricted bank deposits	**1,423,967**	1,256,474
	43,281,083	46,636,887
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,002,928)**	(1,000,000)
– pledged for issuance of letter of credit	**(117,472)**	(231,474)
– pledged for guarantee issued	**(299,060)**	(25,000)
– other restricted bank balances	**(4,507)**	–
Cash and cash equivalents	**41,857,116**	45,380,413

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.

32. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS (Continued)

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

Bank balances and time deposits carry interest at market rates which range from 0.05% to 1.50% (2018: 0.05% to 1.50%) per annum.

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate from 0.05% to 1.55% (2018: 0.05% to 1.55%) per annum.

33. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 1 May 2019, Binzhou City Zhanhua District Huihong New Material Co., Ltd.* ("Zhanhua Huihong") 濱州市沾化區匯宏新材料有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, to dispose of certain of its construction in process of property, plant and equipment in Binzhou City Zhanhua District, at a consideration of RMB600,000,000. RMB200,000,000 of the consideration was received during the year. The remaining balance of RMB400,000,000 will be received at the mid of 2020.

The disposal is expected to be completed within twelve months from the end of the current year and is therefore classified as assets held for sales in the consolidated statement of financial position. The sales proceeds are expected to exceed the net carrying amounts of the relevant assets and accordingly, no impairment has been recognised. The disposal was negotiated under arm's length basis and approved by the board of directors' of the

36. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Payables on property, plant and equipment	**4,773,991**	4,271,983
Retention payables	**2,055,531**	2,421,027
Accrued payroll and welfare (note (i))	**611,247**	620,660
Contract liabilities (note (ii))	**2,381,094**	720,185
Dividend payables	**6**	5
Interest payable	**1,662,187**	1,778,752
Other taxes payables	**1,152,044**	1,507,955
Consideration payable (note 49)	**55,500**	–
Construction claim payable (note 57)	**60,000**	–
Others	**628,243**	520,113
	13,379,843	11,840,680

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2019 were accrued directors payroll and welfare of approximately RMB4,225,000 (2018: RMB5,020,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) The significant increase in contract liabilities in 2019 were mainly due to continuous increase in the customer base.

Revenue recongised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year is approximately RMB720,185,000 (2018: RMB710,110,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

37. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Current		
Secured bank borrowings (note (iii))	**8,342,748**	873,104
Unsecured bank borrowings	**20,712,101**	18,060,631
	29,054,849	18,933,735
Non-current		
Secured bank borrowings (note (iii))	**405,990**	8,146,613
Unsecured bank borrowings (note (i))	**3,113,638**	3,117,190
	3,519,628	11,263,803
	32,574,477	30,197,538

37. BANK BORROWINGS (Continued)

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

	2019 RMB'000	2018 RMB'000
Within one year	**29,054,849**	18,933,735
In the second year	**2,221,874**	8,482,516
In the third to fifth years, inclusive	**1,297,754**	2,781,287
	32,574,477	30,197,538

	2019 RMB'000	2018 RMB'000
Amounts shown under current liabilities	**29,054,849**	18,933,735
Amounts shown under non-current liabilities	**3,519,628**	11,263,803
	32,574,477	30,197,538

The exposure of the Group's fixed-rate bank borrowings denominated in RMB at interest rate ranged from 3.40% to 7.00% (2018: ranged from 2.70% to 7.50%) and the contractual maturity dates (or reset dates) are as follows:

	2019 RMB'000	2018 RMB'000
Fixed-rate borrowings:		
Within one year	**11,874,602**	4,723,090

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:

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**3.40% to 7.00%**	2.70% to 7.50%
Variable-rate borrowings	**4.57% to 6.09%**	4.35% to 6.09%

39. SHORT-TERM DEBENTURES AND NOTES

	2019 RMB'000	2018 RMB'000
Short-term debentures and notes	–	4,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2018 and 2019 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures	5 February 2018	1,000,000	6.00%	7 February 2019
Short-term debentures	14 March 2018	1,000,000	6.25%	16 March 2019
Short-term debentures	22 March 2018	1,000,000	6.20%	26 March 2019
Short-term debentures	2 April 2018	1,000,000	6.50%	4 April 2019

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

40. MEDIUM-TERM DEBENTURES AND BONDS

	2019 RMB'000	2018 RMB'000
Medium-term debentures and bonds-due within one year	**1,495,784**	1,752,756
Medium-term debentures and bonds-due after one year	**38,529,229**	41,077,258
	40,025,013	42,830,014

40. MEDIUM-TERM DEBENTURES AND BONDS

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2018 and 2019 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	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures B	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Medium-term debentures C	25 October 2016	1,000,000	3.87%	4.21%	26 October 2021
Medium-term debentures D	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures E	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	1,000,000	5.20%	5.25%	19 January 2022
Medium-term debentures H	2 March 2018	1,000,000	7.50%	7.85%	6 March 2021
Medium-term debentures I	18 April 2018	1,000,000	7.30%	7.65%	19 April 2021
Medium-term debentures J	20 April 2018	1,300,000	6.75%	7.09%	23 April 2021
Medium-term debentures K	25 April 2018	1,000,000	6.73%	7.07%	27 April 2021
Medium-term debentures L	26 April 2018	1,000,000	6.90%	7.24%	27 April 2021
Medium-term debentures M	24 May 2018	1,000,000	7.47%	7.82%	25 May 2021
Medium-term debentures N	13 August 2018	1,000,000	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	500,000	7.47%	7.75%	27 August 2021
Medium-term debentures P	12 July 2019	600,000	7.00%	7.24%	12 July 2022
Listed					
Enterprise bonds A	3 March 2014	1,149,960 (2018: 1,200,000)	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,056,362	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	214 (2018: 1,000,000)	6.26% (2018: 5.26%)	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	1,999,950 (2018: 2,000,000)	7.30% (2018: 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	7.00% (2018: 4.50%)	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,198,240 (2018: 1,200,000)	6.70% (2018: 4.04%)	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	6.50% (2018: 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	6.30% (2018: 4.20%)	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	6.00%	6.22%	26 March 2024
Private placement enterprise bond A	2 June 2016	Nil (2018: 1,758,000)	6.05%	6.50%	2 June 2019
Private placement enterprise bond B	15 July 2016	26,000 (2018: 3,000,000)	6.80% (2018: 6.48%)	6.75%	15 July 2021

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Debentures A, B, C, D, E, F, G, H, I, J, K, L, M, N, O and P 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, L, private placement enterprise bond A and B were issued under the approval of China Securities Regulatory Commission.

According to the terms and conditions of private placement enterprise bonds A, the interest rate is 6.05% per annum for 2 years, up to 1 June 2018. At the end of the second year, on 2 June 2018, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year. During the year ended 31 December 2019, the Group has redeemed the private placement enterprises bonds A for RMB1,758,000,000 together with interest accrued up the that date.

According to the terms and conditions of private placement enterprise bonds B, the interest rate is 6.48% per annum for 3 years, up to 15 July 2019. At the end of the third year, on 14 July 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year. During the year ended 31 December 2019, the Group has redeemed the private placement enterprises bonds B for RMB2,974,000,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds A, the interest rate of the enterprise bonds is 8.69% per annum for the 5 years, up to 3 March 2019. At the end of the fifth year, on 3 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive). During the year ended 31 December 2019, the Group has redeemed the enterprises bonds A for RMB50,040,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds B, the interest rate of the enterprise bonds is 7.45% per annum for the 3 years, up to 21 August 2017. At the end of the third year and fifth year, on 21 August 2017 and 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100%of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

According to the terms and conditions of enterprise bonds C, the interest rate of the enterprise bonds is 5.26% per annum for the 4 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). During the year ended 31 December 2019, the Group has redeemed the enterprises bonds C for RMB999,786,000 together with interest accrued up the that date.

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 7.30% (2018: 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 5 years, up to 14 January 2021, with no right to redeem the bonds or adjust the interest rate. During the year ended 31 December 2019, the Group has redeemed the enterprises bonds D for RMB50,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 7.00% (2018: 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 6.70% (2018: 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. During the year ended 31 December 2019, the Group has redeemed the enterprises bonds G for RMB1,760,000 together with interest accrued up the that date.

Enterprise bonds H and I are different categories of the same tranche, the interest rate of the enterprise bonds H is 6.50% (2018: 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 5 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 6.30% (2018: 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.

According to the terms and conditions of enterprise bonds L the interest rate of the enterprise bonds is 6.00% per annum for the 3 years, up to 26 March 2022. At the end of the third year, on 26 March 2022, 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.

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

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

	2019 RMB'000	2018 RMB'000
Within one year	**1,495,784**	1,752,756
In the second to fifth year	**38,529,229**	33,330,745
Over five years	**–**	7,746,513
	40,025,013	42,830,014

41. GUARANTEED NOTES

	2019 RMB'000	2018 RMB'000
Current liabilities	**–**	3,078,664
Non-current liabilities	**3,457,313**	–

41. GUARANTEED NOTES (Continued)

Notes: (Continued)

41. GUARANTEED NOTES (Continued)

The carrying amount of the 2022 Guaranteed Notes on date of issuance is net of issue expenses of US$4,000,000 (equivalent to approximately RMB27,471,000) and the effective interest rate of the 2022 Guaranteed Notes is 7.63% per annum.

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

On 24 September 2019, the Company issued 7.375% guaranteed notes with the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,414,580,000) (the "2023 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2023 Guaranteed Notes will mature on 2 May 2023. The 2023 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2023 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2023 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 2 May 2023	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 2 May 2023	107.375% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2023 Guaranteed Notes on 2 May 2023, plus all required remaining scheduled interest payments due on the 2023 Guaranteed Notes through 2 May 2023 (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 2 May 2023, the Company may at its option redeem the 2023 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 2 May 2023, the Company may redeem up to 35% of the 2023 Guaranteed Notes, at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2023 Guaranteed Notes on date of issuance is net of issue expenses of US$2,700,000 (equivalent to approximately RMB19,097,000) and the effective interest rate of the 2023 Guaranteed Notes is 7.81% per annum.

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



42. CONVERTIBLE BONDS (Continued)

On 25 January 2018, 70,544,156 ordinary shares of the Company were issued as a result of the conversion of CBs with principal amount of US$73,600,000. No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the year ended 31 December 2019.

On 7 February 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$8.16 to HK$7.71 per share and, on 12 June 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was further adjusted from HK$7.71 to HK$7.53 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 17 June 2019, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$7.53 to HK$7.21 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2019, the principal amount of the CBs that remained outstanding amounted to US$246,400,000 (2018: US$246,400,000) of which a maximum of 267,287,611 (2018: 255,928,775) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018 and 13 July 2018 and 17 June 2019.

At 31 December 2018 and 2019, the fair values of the derivatives component was valued by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the Binomial model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

43. 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:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	**2,084,454**	1,865,927
Deferred tax liabilities	**(721,545)**	(670,982)
	1,362,909	1,194,945

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

	Decelerated tax depreciation RMB'000	Tax losses RMB'000	Income tax facility RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Unrealised profit on intra-group sales RMB'000	Deferred income RMB'000	Provisions RMB'000	Consideration receivables from disposal of a subsidiary RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employee benefits RMB'000	Total RMB'000
At 1 January 2018	1,151,816	149,467	82,280	(142,261)	295,493	69,700	35,229	–	(363,136)	871	1,279,459
(Charged) credited to profit or loss	(114,778)	36,573	14,053	(182,433)	68,988	67,420	(8,725)	14,481	16,848	3,059	

44. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Government grants		
– Current liabilities	**22,330**	19,450
– Non-current liabilities	**549,086**	553,820
	571,416	573,270

As at 31 December 2019, the Group received government subsidies of approximately RMB20,892,000 (2018: RMB287,598,000) towards certain environment protection and construction projects. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of plant and machineries. This policy has resulted in a credit to income in the current period of approximately RMB22,746,000 (2018: RMB17,920,000). As at 31 December 2019, balances of approximately RMB571,416,000 (2018: RMB573,270,000) remain to be amortised.

45. SHARE CAPITAL

	Number of shares		Share Capital	
	2019	2018	**2019 US$**	2018 US$
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

45. SHARE CAPITAL (Continued)

Notes:

(a) On 23 January 2018, 650,000,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$9.6 per share, raising a total proceeds of approximately RMB5,060,159,000, net of share issue expense of approximately RMB60,822,000.

(b) During the year ended 31 December 2018, CBs with principal amount US$73,600,000 was converted into 70,544,156 ordinary shares of the Company at par at the conversion price of HK$8.16 per ordinary share.

The Company does not have any share option scheme.

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

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

For the year ended 31 December 2019

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share		Aggregate consideration paid	Share cancelled date
		Highest HK$	Lowest HK$	HK$	
14-Jan-19	620,000	4.80	4.79	2,975,000	25-Jan-19
16-Jan-19	2,406,500	5.05	4.95	12,072,000	25-Jan-19
17-Jan-19	1,880,000	5.07	5.05	9,511,000	25-Jan-19
18-Jan-19	1,060,000	5.05	5.04	5,352,000	25-Jan-19
25-Mar-19	8,000,000	5.65	5.39	44,837,000	9-Apr-19
26-Mar-19	8,375,000	5.71	5.62	47,444,000	9-Apr-19
27-Mar-19	6,174,000	5.77	5.61	35,271,000	9-Apr-19
28-Mar-19	10,150,000	5.89	5.78	59,551,000	9-Apr-19
29-Mar-19	9,150,000	5.92	5.74	53,809,000	9-Apr-19
9-Apr-19	4,500,000	6.53	6.20	28,798,000	24-Apr-19
10-Apr-19	4,150,000	6.68	6.49	27,357,000	24-Apr-19
11-Apr-19	8,500,000	6.75	6.61	57,154,000	24-Apr-19
12-Apr-19	7,000,000	6.76	6.57	46,800,000	24-Apr-19
22-May-19	6,423,000	5.50	5.21	34,977,000	3-Jun-19
23-May-19	10,189,000	5.56	5.34	55,917,000	3-Jun-19
24-May-19	3,798,000	5.54	5.49	20,894,000	3-Jun-19
27-May-19	7,517,500	5.51	5.34	41,137,000	19-Jun-19
29-May-19	4,649,500	5.57	5.40	25,589,000	19-Jun-19



48. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amostised cost (including cash and cash equivalents)	**66,380,707**	67,189,175
Financial assets at FVTPL		
– Financial asset at FVTPL	**2,005**	-
– Other financial asset	**819**	-
Financial assets at FVTOCI		
– Equity instruments at FVTOCI	**289,339**	908,170
Financial liabilities		
Financial liabilities at FVTPL		
– Derivatives component of convert303g1001153 9ilities67,189,175Fin964ther financial assetRMB/TT1ial assets at FVTO		

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2019 **RMB'000**	2018 RMB'000
Effect on post-tax profit:		
US$ (note (i))	**720,610**	620,712
HK$ (note (ii))	**(2,972)**	(920)
IDR (note (iii))	**(1,012)**	(3,630)

Notes:

(i) This is mainly attributable to the exposure outstanding on US$ of cash and cash equivalents, trade and other receivables, trade and other payables, bank borrowings, other borrowing, guaranteed notes and convertible bonds at year end.

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

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

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

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings, liability component of convertible bonds, short-term debentures and notes, medium-term debentures and bonds, other borrowing 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:

	2019 **RMB'000**	2018 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(38,876)**	(50,597)
As a result of decrease in interest rate	**38,876**	50,597

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 capitalisation of borrowing costs.

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is mainly concentrated on equity instrument operating in consultancy service industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective equity instrument had been 10% (2018: 10%) higher/lower, other comprehensive income for the year ended 31 December 2019 would increase/decrease by approximately RMB28,934,000 (2018: RMB90,817,000) as a result of the changes in financial assets at FVTOCI.

(d) Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from loans to associates, trade receivables, bills receivable, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered loans to associates to be low credit risk and the Group was measured the loss allowance limited to 12-month ECL.

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

		Basis for recognising ECL	
Category	**Description**	**Trade receivables**	**Other financial assets**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 December 2019

Internal credit rating	**12-month or lifetime ECL**	**Gross carrying amount**					
		LGCS 0.733	**SCNd(c 7.576**	**1.444**	**T**		

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2018

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables (note 1)	Performing	Lifetime ECL (simplified approach)	6,750,578	–	6,750,578
Trade receivables	Default	Lifetime ECL – credit impaired	6,725	(6,725)	–
Bills receivables (note 2)	Performing	12-month ECL	11,726,626	–	11,726,626
Other receivables	Performing	12-month ECL	1,765,654	–	1,765,654
Other receivables	Doubtful	Lifetime ECL – not credit impaired	324,166	(14,736)	309,430
Other receivables	Default	Lifetime ECL – credit impaired	23,722	(23,722)	–
				(45,183)	

Notes:

1. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.

2. The credit risk on bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the impairment provision recognised during the year was limited to 12-month ECL.

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 9% (2018: 17%) and 43% (2018: 44%) 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 17% (2018: 21%) of the total bills receivable as at 31 December 2019. In addition, the Group's bills receivable from the top five major banks represented 59% (2018: 41%) of the total bills receivable as at 31 December 2019.

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

(e) Liquidity risk management

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

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. Other than the cash generated from operating activities, the Group's management is

48. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	On demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total

48. 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

48. 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)

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	25,774,590	–	–	25,774,590
Medium-term bonds due after one year – unlisted	–	15,104,037	–	15,104,037
Bank borrowings – due after one year	–	11,161,195	–	11,161,195
Other borrowing – due after one year	–	1,314,795		1,314,795
Liability component of convertible bonds	–	1,002,270	–	1,002,270
	25,774,590	28,582,297	–	54,356,887

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of listed medium-term bonds due after one year is included in Level 1 of the fair value hierarchy. The fair value of the financial liabilities included in Level 1 above has been determined using the quoted bid prices in an active market.

- The fair value of unlisted medium-term bonds, guaranteed notes, other borrowing and bank borrowings due after one year and liability component of convertible bonds are included in Level 2 of the fair value hierarchy. The fair values of the financial liabilities included in the Level 2 category above have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

49. ACQUISITION OF A SUBSIDIARY

On 31 March 2019, the Group acquired 100% of the equity interest in Hongbo Aluminum Industry Technology Company Limited * ("Hongbo Aluminum Industry") 濱州鴻博鋁業科技有限公司 from Boxing Ruifeng Aluminum Plate Company Limited * 博興縣瑞豐鋁板有限公司, an independent third party, for a consideration of approximately RMB147,666,000. Approximately RMB92,166,000 of the consideration has been paid during current year. The remaining balance of RMB55,500,000 will be settled on 30 June 2020. This acquisition has been accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB3,282,000. Hongbo Aluminum Industry is engaged in the manufacture and sales of aluminum fabrication. Hongbo Aluminum Industry was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration of the acquisition:

	RMB'000
Cash consideration	147,666
Less: cash consideration paid	(92,166)
Consideration payable (included in other payables)	55,500

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

	RMB'000
Property, plant and equipment	421,600
Intangible assets	6
Inventories	245,658
Trade receivables	132,241
Bill receivables	7,715
Prepayments and other receivables	99,661
Cash and cash equivalents	8,766
Trade payables	(328,862)
Other payables and accruals	(435,745)
Income tax payable	(92)
	150,948

Acquisition-related costs amounting to RMB240,000 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. ACQUISITION OF A SUBSIDIARY (Continued)

Gain on bargain purchase:

	RMB'000
Consideration of the acquisition	147,666
Less: net assets acquired	(150,948)
Gain on bargain purchase	3,282

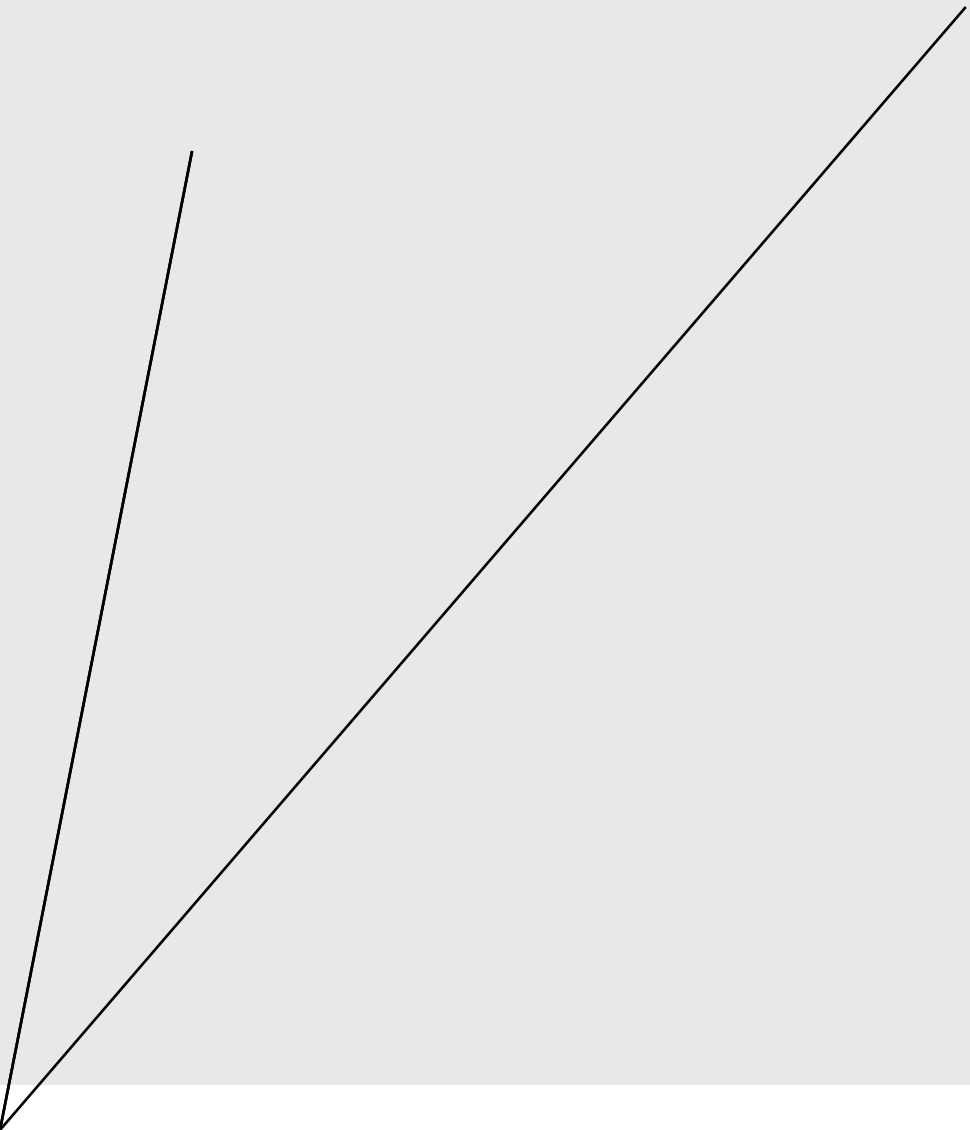
Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	147,666
Less: cash and cash equivalent acquired	(8,766)
consideration payable	(55,500)
Net cash outflow on acquisition	83,400

Included in the profit for the year is approximately a loss of approximately RMB26,402,000, attributable to the additional business generated by Hongbo Aluminum Industry. Revenue for the year ended 31 December 2019 includes approximately RMB803,292,000 generated from Hongbo Aluminum Industry.

Had the acquisition been completed on 1 January 2019, total revenue of the Group for the year ended 31 December 2019 would have been approximately RMB84,495,325,000 and profit for the year would have been approximately RMB6,418,915,000. 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 2019, nor is it intended to be a projection of future results.

* The English translation is for reference only



53. LEASE COMMITMENTS

The Group as lessee

	31.12.2018 RMB'000
Minimum lease payments paid under operating leases for premises	11,621

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2018 RMB'000
Within one year	8,672
In the second to fifth year inclusive	20,986
Over five years	48,958
	78,616

As at 31 December 2018, operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years to twenty five years and rentals are fixed for an average term of two years to twenty five years.

The Group is the lessee in respect of a number of properties which the leases were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 4, and the details regarding the Group's future lease payments are disclosed in note 18.

The Group as lessor

As at 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

	31.12.2018 RMB'000
Within one year	12,083
In the second to fifth year inclusive	13,714
	25,797

54. COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**2,292,296**	794,563

55. 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
Weiqiao Chuangye	note iii
Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") 濱州魏橋科技工業園有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Minghong Textile Technology Company Limited ("Ming Hong Textile") 山東銘宏紡織科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Zouping Weiqiao Recycling Resources Co.,Ltd ("Zouping Weiqiao") 鄒平魏橋再生資源利用有限公司 (note i)	Controlled by Weiqiao Chuangye
Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman") 凱斯曼秦皇島汽車零部件製造有限公司	Controlled by CITIC Group Corporation (note ii)
CITIC Trust Co., Ltd. ("CITIC Trust") 中信信托有限責任公司	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank International ("CITIC Bank") 荸砐篧訁樗砐篧訁甚詝盍噉戕槐弍燜灚葵祛黂鐳譣鸕ノソノソ鬟ヴ衶颼姆蠖潜卮麗蠖轙雲祛湯茁娞廷煩竦瞞砐枴獅哃欞齐蚸窕篾蚰磟祭穻箴礅荸砐莛蘺鞿酅楚屠隡瓂砜礅琏攍砲環砲筩鼏噉	

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

i. The English names of the above companies are for reference only.

ii. CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 shares of the Company, representing 10.23% of the total issued shares of the Company, are both indirect subsidiaries of CITIC G

	Notes	2019 RMB'000	2018 RMB'000
Sales of molten aluminum alloy			
Caseman	(b)	**2,890,663**	1,848,553
Legal and professional fee			
Shandong Ruixin	(a)	**(4,767)**	(5,004)
Sales of raw materials			
Zouping Weiqiao	(a)	**–**	129
Beihai Solid Waste	(a)	**575**	–
Lease payment			
Weiqiao Chuangye	(a), (c)	**(2,614)**	(2,375)
PT. Lima Srikandi Jaya	(b), (e)	**(29)**	–
Harita Jayaraya	(b), (d)	**(1,410)**	–
PT. Mitra Kemakmuran Line	(b), (e)	**(133)**	–

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes: (Continued)

(c) In 2018, the Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB44,236,000.

(d) During the year, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of approximately RMB2,255,000. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB1,124,000.

(e) During the year, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. At the commencement date of the leases, the Group recognised right-of-use assets and lease liabilities of approximately RMB21,899,000. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB16,706,000.

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

	2019 RMB'000	2018 RMB'000
Bank balances		
CITIC Bank (note i)	**194,744**	93,963
China CITIC Bank (note ii)	**95,075**	78,119
Bank borrowings		
CITIC Bank (notes iii and v)	**(732,501)**	(2,335,191)
China CITIC Bank (notes iv and v)	**(6,435,000)**	(7,180,666)
Loans to associates		
ABM	**767,382**	754,952
Binneng Energy	**2,000,000**	–
Trade payables		
GTS	**(127,236)**	(264,647)
Innovation Carbon New Material	**(76,031)**	–
Jinsha Water Supply	**(2,624)**	(424)
Weiqiao Chuangye	**(11,292)**	–
PT. Cita Mineral Investindo, Tbk.	**(38,942)**	–

	2019 RMB'000	2018 RMB'000
Trade receivables		
Binzhou Investment	**–**	4,563
Ming Hong Textile	**114**	102
Zouping Weiqiao	**–**	129
Receivables from financial institution		
CITIC Trust	**1,000,000**	–
Financial assets at FVTPL		
CITIC Trust	**2,005**	–
Prepayment		
Jinsha Water Supply	**–**	7,837
Binneng Energy	**2,438,457**	–
Contract liabilities		
Caseman	**(19,928)**	(17,143)

Notes:

i. The bank balances of CITIC Bank were interest-free.

ii. The bank balances of China CITIC Bank were interest bearing at normal interest rate of 0.3% per annum for the years ended 31 December 2019 and 2018.

iii. The bank borrowings of CITIC Bank were interest bearing at normal interest rates range from 5.9% to 6.5% per annum for the years ended 31 December 2019 and 2018.

iv. The bank borrowings of China CITIC Bank was interest bearing at normal interest rate of 4.32% to 5.25% per annum for the years ended 31 December 2019 and 2018.

v. The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are fully exempt from the disclosure requirements in Chapter 14A.90 of the Listing Rules as the transaction terms are in normal commercial terms and are not secured by assets of the Group.

(b) Compensation of key management personnel

55. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Grant2 reW n 1a by a related party were as follows:



58. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	1 January 2019 RMB'000	Financing cash flows RMB'000	Adoption of IFRS16 RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2019 RMB'000
Bank borrowings	30,197,538	2,342,059	–	–	34,880	–	32,574,477
Other borrowing	1,366,569	–	–	–	24,877	–	1,391,446
Lease liabilities	–	(26,192)	112,608	3,481	836	–	90,733
Liability component of CBs	1,012,052	–	–	123,347	15,156	–	1,150,555
Derivatives component of CBs	415,195	–	–	–	5,300	(140,558)	279,937
Short-term debentures and notes	4,000,000	(4,000,000)	–	–	–	–	–
Medium-term debentures and bonds	42,830,014	(3,212,636)	–	407,635	–	–	40,025,013
Guaranteed notes	3,078,664	351,421	–	22,405	4,823	–	3,457,313
Interest payable	1,778,752	(4,779,292)	–	4,662,727	–	–	1,662,187
	84,678,784	(9,324,640)	112,608	5,219,595	85,872	(140,558)	80,631,661

			Non-cash changes				
	1 January 2018 RMB'000	Financing cash flows RMB'000	Issue of shares upon conversion of convertible bonds RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2018 RMB'000
Bank borrowings	20,054,751	10,070,407	–	–	72,380	–	30,197,538
Other borrowing	–	1,366,569	–	–	–	–	1,366,569
Liability component of CBs	1,095,225	–	(248,367)	98,971	66,223	–	1,012,052
Derivatives component of CBs	991,660	–	(224,881)	–	46,099	(397,683)	415,195
Short-term debentures and notes	3,000,000	953,965	–	46,035	–	–	4,000,000
Medium-term debentures and bonds	43,468,056	(731,768)	–	93,726	–	–	42,830,014
Guaranteed notes	1,957,399	989,278	–	17,500	114,487	–	3,078,664
Interest payable	1,521,194	(3,919,599)	–	4,177,157	–	–	1,778,752
	72,088,285	8,728,852	(473,248)	4,433,389	299,189	(397,683)	84,678,784

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

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**112**	644
Right-of-use assets		**17,101**	–
Investment in subsidiaries		**11,199,239**	11,199,239
Other receivables		**767,382**	754,952
Amounts due from subsidiaries	(i)	**14,153,063**	16,916,448
Financial assets at fair value through other comprehensive income		**289,339**	908,170
		26,426,236	29,779,453
Current assets			
Trade receivables		**1,639,563**	314,549
Prepayment and other receivables		**1,527**	1,494
Amount due from immediate holding company	(ii)	**27**	–
Other financial asset		**819**	–
Cash and cash equivalents		**284,309**	121,757
		1,926,245	437,800
Current liabilities			
Trade payables		**34,681**	9,030
Other payables		**118,342**	65,454
Lease liabilities		**8,098**	–
Bank borrowings – due within one year		**2,105,577**	2,603,767

Bank borrowings – due within one year27

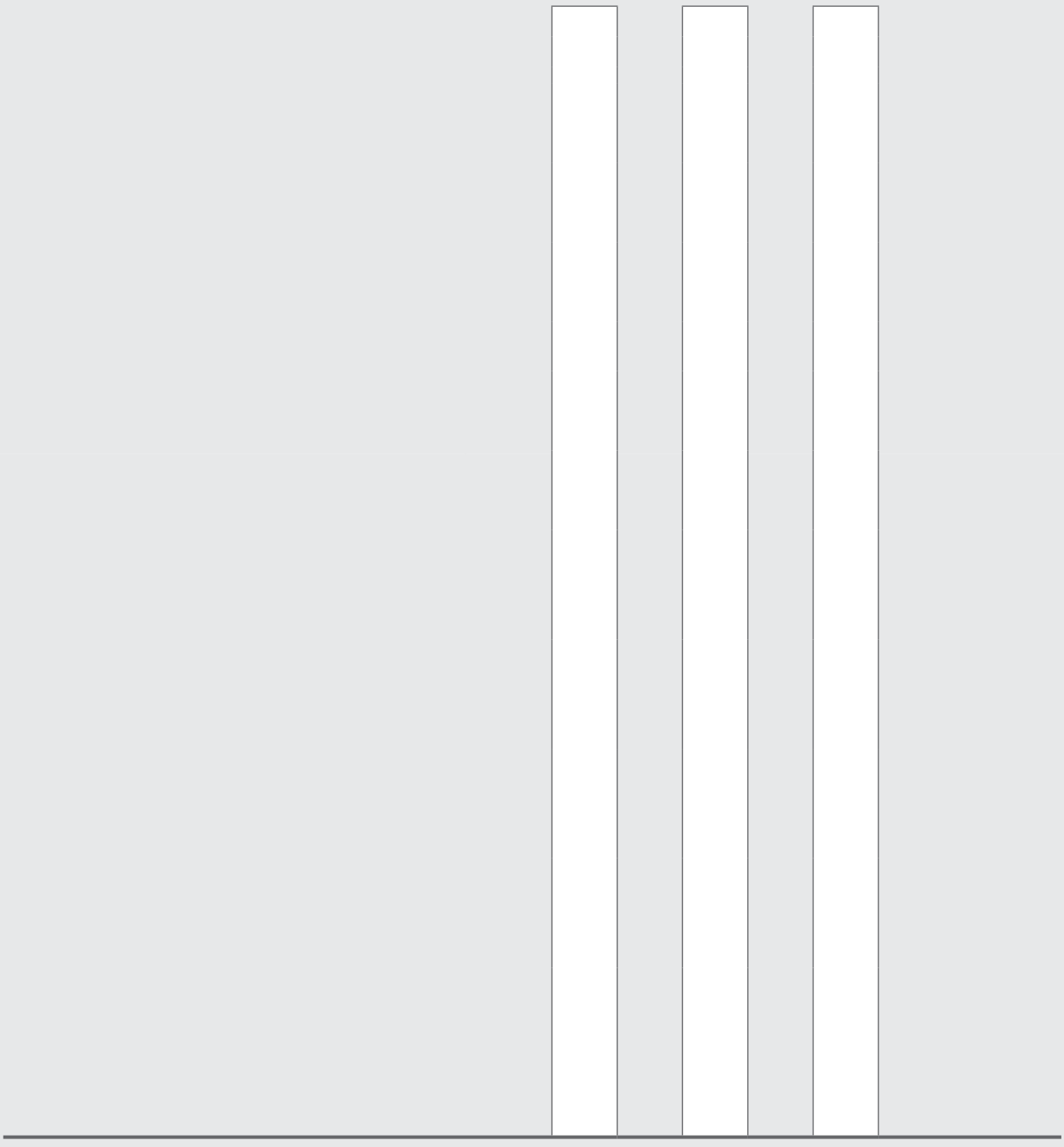
59. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

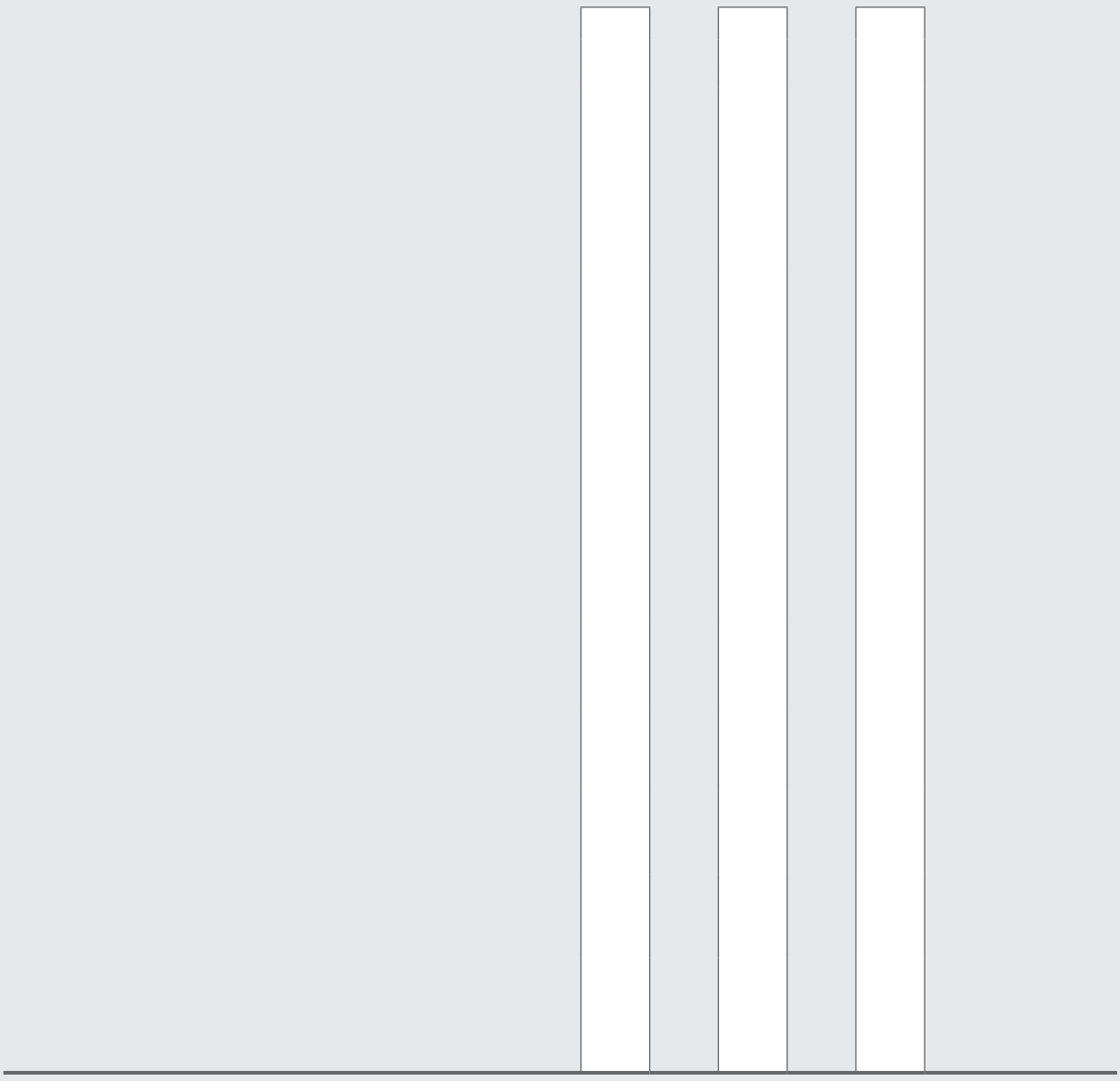
(i) The amounts due from subsidiaries are unsecured, interest-free and repayable after one year. The fair value is estimated at RMB13,700,101,000 (2018: RMB16,916,448,000) by using the effective interest rate of 4.9% per annum.

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/




Name of subsidiariesClassme o esregistered ordinary es

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Notes:

i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 28.18% equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

ii: The entity is a wholly foreign owned enterprise.

iii: The entity is a wholly-domestic owned enterprise.

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

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60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

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

Principal activities	Principal place of business	Number of subsidiaries	
		2019	2018
Sales of aluminum products	The PRC	**14**	4
Sales of metal products	The PRC	**1**	–
Sales of scrap materials	The PRC	**1**	1
Capital investor	The PRC	**1**	1
Various trading business	The PRC	**2**	2
Energy enhancement solution services	The PRC	**1**	2
Delivery service	The PRC	**1**	1
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**4**	–
		28	14

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Profit (Loss) attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Hongchuang and its subsidiaries	PRC	**71.82%**	71.82%	**71.82%**	71.82%	**196,604**	(3,228)	**1,168,159**	971,555

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intergroup eliminations.

Hongchuang and its subsidiaries



KEY AUDIT MATTERS (Continued)

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

- Transactions with related parties and disclosure;
- Estimated allowance on inventories;
- Impairment assessment of goodwill;
- Impairment assessment of property, plant and equipment;
- Impairment assessment of interest in an associate; and
- Impairment assessment of loan to an associate.

TRANSACTIONS WITH RELATED PARTIES AND DISCLOSURE

Refer to note 52 to the consolidated financial statements.

The key audit matter

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

We have identified this as a key audit matter because it is essential to monitor these transactions by the directors of the Company 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.

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.

KEY AUDIT MATTERS (Continued)

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 24 to the consolidated financial statements.

The key audit matter

As at 31 December 2020, the carrying amount of the inventories was approximately RMB19,717,811,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value.

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

How the matter was addressed in our audit

Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2020.

We have reviewed the utilisation of inventories and sales contracts awarded and entered into among the Group and the customers. We have also reviewed the subsequent selling prices of the inventories after 31 December 2020 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

IMPAIRMENT ASSESSMENT OF GOODWILL

Refer to note 22 to the consolidated financial statements.

The key audit matter

As at 31 December 2020, the carrying amount of goodwill was approximately RMB278,224,000. An impairment loss on goodwill of approximately RMB330,594,000 was recognised for the year ended 31 December 2020.

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

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

How the matter was addressed in our audit

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

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

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements.

The key audit matter

As at 31 December 2020, the carrying amount of property, plant and equipment amounted to approximately RMB64,750,361,000. An impairment loss on property, plant and equipment of approximately RMB162,283,000 was recognised for the year ended 31 December 2020.

We have identified the impairment assessment of the property, plant and equipment as a key audit matter since the carrying amount of property, plant and equipment was significant to the consolidated financial statements and significant judgments and estimates have been used by the management and independent valuer in determining the recoverable amount of property, plant and equipment.

How the matter was addressed in our audit

We performed physical inspection of major property, plant and equipment, with specific focus on those suspended property, plant and equipment.

We obtained valuation report for property, plant and equipment from the Group and considered the objectivity, independence and expertise of the valuer. We assessed the appropriateness of the valuation methodologies and challenged the reasonableness of methodologies and the use of market data and assumptions, such as cash flow projects and discount rates applied in determining the fair value less cost of disposal.

We also performed calculation check on the provision of impairment loss for the year ended 31 December 2020.

IMPAIRMENT ASSESSMENT OF INTEREST IN AN ASSOCIATE

Refer to note 20 to the consolidated financial statements.

The key audit matter

As at 31 December 2020, the carrying amount of the Group's interest in Zouping Binneng Energy Technology Co., Ltd * ("Binneng Energy")鄒平濱能能源科技有限公司 amounted to approximately RMB2,650,994,000.

We have identified the impairment assessment of interest in Binneng Energy as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.

How the matter was addressed in our audit

Our procedures were designed to assess the management's process for identifying the existence of impairment indicators for the interest in Binneng Energy and to challenge the reasonableness of the recoverable amount, including projections of cash flows, discount rate and growth rates applied, and future prospects of Binneng Energy.

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and,

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	**86,144,641**	84,179,288
Cost of sales		**(66,789,453)**	(67,715,035)
Gross profit		**19,355,188**	16,464,253
Other income and gains	7	**2,700,719**	3,140,517
Selling and distribution expenses		**(399,894)**	(449,041)
Administrative expenses		**(4,052,174)**	(3,645,691)
Other expenses	8	**(616,586)**	(2,166,798)
Finance costs	9	**(4,506,236)**	(5,219,595)
Changes in fair values of financial instruments	33	**(291,255)**	138,077
Share of profits of associates	20	**514,588**	509,345
Profit before taxation		**12,704,350**	8,771,067
Income tax expenses	10	**(2,259,599)**	(2,315,924)
Profit for the year	11	**10,444,751**	6,455,143
Attributable to:			
Owners of the Company		**10,495,936**	6,095,335

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**64,750,361**	71,019,374
Right-of-use assets	17	**5,646,551**	5,152,415
Intangible assets	18	**27,429**	24,884
Investment properties	19	**4,053**	–
Deposits paid for acquisition of property, plant and equipment		**571,608**	513,617
Deferred tax assets	41	**2,886,026**	2,084,454
Interests in associates	20	**6,681,222**	4,723,329
Loan to an associate	21	**–**	2,000,000
Goodwill	22	**278,224**	608,818
Financial asset at amortised cost	28	**2,499,000**	–
Financial assets at fair value through other comprehensive income	23	**633,652**	289,339
Prepayment	27	**119,260**	–
		84,097,386	86,416,230
CURRENT ASSETS			
Inventories	24	**19,717,811**	21,846,922
Trade receivables	25	**10,335,568**	10,311,326
Bills receivables	26	**9,157,692**	11,139,775
Prepayments and other receivables	27	**9,126,270**	6,075,312
Loan to an associate	21	**2,000,000**	–
Financial assets at fair value through profit or loss	29	**–**	2,005
Other financial asset	30	**–**	819
Income tax recoverable		**88,814**	–
Restricted bank deposits	31	**1,542,098**	1,423,967
Cash and cash equivalents	31	**45,465,361**	41,857,116
		97,433,614	92,657,242
Non-current assets classified as held for sale	32	**–**	530,973
		97,433,614	93,188,215
CURRENT LIABILITIES			
Trade and bills payables	34	**13,377,069**	18,215,656
Other payables and accruals	35	**12,105,674**	13,379,843
Bank borrowings – due within one year	36	**22,777,400**	29,054,849
Other borrowing – due within one year	37	**–**	1,391,446
Other financial liabilities	30	**4,942**	3,300
Lease liabilities	17	**25,080**	28,874
Income tax payable		**2,268,635**	1,727,235
Medium-term debentures and bonds – due within one year	38	**22,774,698**	1,495,784
Deferred income	42	**17,855**	22,330
		73,351,353	65,319,317
NET CURRENT ASSETS		**24,082,261**	27,868,898
TOTAL ASSETS LESS CURRENT LIABILITIES		**108,179,647**	114,285,128

Consolidated Statement of Financial Position (Continued)

As at 31 December 2020

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital	Share premium	Investment revaluation reserve	Capital reserve	Translation reserve	Statutory surplus reserve	Retained earnings	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (Note 44(d))	RMB'000 (Note 44(a))	RMB'000 (Note 44(c))	RMB'000 (Note 44(b))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	566,172	19,829,421	(67,936)	783,942	223,665	7,204,845	31,425,252	59,965,361	2,654,136	62,619,497
Profit for the year	–	–	–	–	–	–	6,095,335	6,095,335	359,808	6,455,143
Other comprehensive (expense) income for the year:										
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(618,831)	–	–	–	–	(618,831)	–	(618,831)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	32,524	–	–	32,524	22,574	55,098
Share of other comprehensive income of associates	–	–	–	–	16,836	–	–	16,836	–	16,836
Total comprehensive (expense) income	–	–	(618,831)	–	49,360	–	6,095,335	5,525,864	382,382	5,908,246
Capital contribution	–	–	–	–	–	–	–	–	10,000	10,000
Change in ownership interest in subsidiaries (note 49)	–	–	–	5,375	–	–	–	5,375	(81,345)	(75,970)
Shares repurchased and cancelled (note 43)	(7,082)	(517,769)	–	–	–	–	–	(524,851)	–	(524,851)
Transfer of reserves	–	–	–	–	–	1,009,366	(1,009,366)	–	–	–
Dividend paid (note 14)	–	–	–	–	–	–	(1,807,631)	(1,807,631)	(113,315)	(1,920,946)
	(7,082)	(517,769)	–	5,375	–	1,009,366	(2,816,997)	(2,327,107)	(184,660)	(2,511,767)
At 31 December 2019	559,090	19,311,652	(686,767)	789,317	273,025	8,214,211	34,703,590	63,164,118	2,851,858	66,015,976

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**40,557,963**	22,908,164
Proceeds from placing of shares	**1,644,087**	–
Proceeds from issuance of medium-term debentures and bonds	**–**	2,600,000
Proceeds from guaranteed notes	**–**	3,474,890
Receipt of government grants	**135,317**	20,892
Transaction costs attributable to placing of shares	**(26,433)**	–
Transaction costs on issuance of medium-term debentures and bonds	**–**	(29,000)
Transaction costs on issue of guaranteed notes	**–**	(46,568)
Payment on repurchase of shares	**–**	(524,851)
Repayment of lease liabilities	**(35,452)**	(26,192)
Repayment of guaranteed notes	**–**	(3,076,901)
Interest expense paid	**(4,676,697)**	(4,779,292)
Repayment of short-term debentures and notes	**–**	(4,000,000)
Repayment of bank borrowings	**(38,730,824)**	(20,566,105)
Repayment of other borrowing	**(1,399,600)**	–
Repayment of medium-term debentures and bonds	**(3,760,086)**	(5,783,636)
Acquisition of additional interests in subsidiaries	**–**	(75,970)
Contribution from non-controlling interests	**2,910,080**	10,000
Dividends paid	**(3,768,148)**	(1,920,945)

1. CORPORATE INFORMATION

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

The Company acts as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the "Group") are set out in note 57.

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

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

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning on 1 January 2020.

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments[5]
Amendments to IFRS 3	Reference to Conceptual Framework[3]
Amendment to IFRS 16	COVID-19 Related Rent Concessions[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate Benchmark Reform-Phase 2[1]
Amendment to IFRSs	Annual improvement to IFRSs 2018 – 2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2023.

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

Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of International Financial Report Interpretations Committee Interpretations ("IFRIC-Int") 21 *Levies*, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

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

New and amendments to IFRSs issued but not yet effective (Continued)

Amendments to IAS 16, Property, Plant and Equipment-Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of "testing whether an asset is functioning properly". IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for other financial asset and liabilities that are measured at fair values, at the end of each reporting period.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

Goodwill

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

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

A CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or groups of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of CGUs). 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 CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates

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

The Group's interests in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, interests 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 nu

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Contract liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract liabilities (Continued)

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

Sales of goods

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

Revenue from sales of steam are recognised at a point in time and based on water consumption derived from meter readings.

Revenue from sales of electricity are recognised at a point in time and based on electricity consumption derived from meter readings.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveymptc7s3-0.f,e7Tw oghtat thsumpods ionveus

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.D TD(The Group p5T147 tion.)Tj0.0119 Tc 6.0001 Tw 8.9961 0 0 8.9961 79.20853 31.4899 Tm(countswhichined.

3. 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

If an item of property, plant and equipment and right-of-use assets becomes an investment property when there is a change in use, as supported by observable evidence, the carrying amount of that item at the date of transfer is the deemed cost for subsequent accounting for that property as an item of investment property.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Internally-generated intangible assets-research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets – research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured on the same basis as intangible assets acquired separately.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible asset acquired in a business combination

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

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

Inventories

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

Cash and cash equivalents

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

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

Investments in subsidiaries

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

3. 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, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. 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 ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

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

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

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

Financial assets at amortised cost (debt instruments)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

Amortised cost and effective interest method

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

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

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

Interest income is recognised in profit or loss and is included in the "other income and gains" line item (note 7).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments as at FVTOCI

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

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

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

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

Significant increase in credit risk

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets(Continued)

Significant increase in credit risk (Continued)

- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

Definition of default

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Measurement and recognition of ECL(Continued)

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

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

Derecognition of financial assets

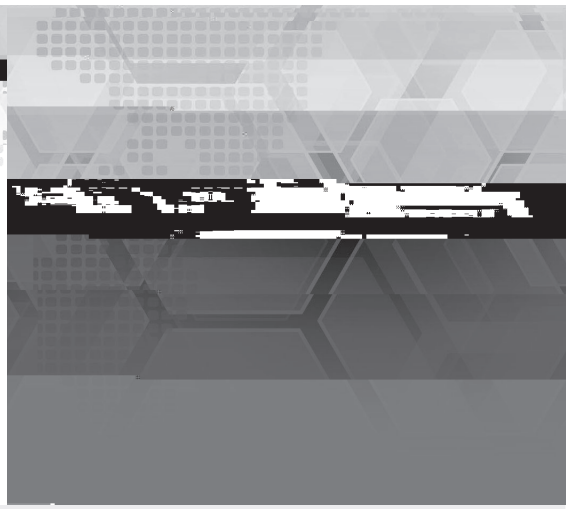
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)



3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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.

Critical judgements in applying accounting policies

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

Ownership of the land and buildings

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

Controls in subsidiaries*Ho cchua c.(Ho cchua cnd ta(pubous omi ccrector maincor(exe cng obtaPRC thesielesharting estim6*

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

Critical judgements in applying accounting policies (Continued)

Withholding tax provision on profit appropriation

The Group provides for withholding taxes of 10% on certain of its PRC subsidiaries' distributable profits generated from 1 January 2011 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2020, the amounts provided for withholding tax was approximately RMB627,965,000 (2019: RMB403,299,000). Further details are given in note 41 to the consolidated financial statements.

Related party transactions

As per note 52 to the consolidated financial statements, the directors of the Company considered various entities, which are either associates of the Group or companies controlled or significantly influenced by a controlling shareholder of the Company, are related parties of the Group.

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

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use / fair value less costs of disposal of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVID-19 pandemic. Estimating the fair value less costs of disposal requires the Group to make estimates on the blockage discount factor to be applied in selling its entire interests in the CGUs and transaction costs involved. The carrying amount of goodwill at 31 December 2020 was approximately RMB278,224,000 (2019: RMB608,818,000), net of accumulated impairment losses of approximately RMB1,656,233,000 (2019: RMB1,325,639,000). Further details are given in note 22.

4. 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 and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses and decelerated tax depreciation at 31 December 2020 were approximately RMB660,633,000 (2019: RMB44,049,000) and approximately RMB404,978,000 (2019: RMB1,192,626,000), respectively. The amount of unrecognised tax losses at 31 December 2020 was approximately RMB767,238,000 (2019: RMB4,940,575,000). Further details are contained in note 41.

PRC Corporate Income Tax ("PRC CIT")

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

Carrying amount of property, plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately RMB64,750,361,000 (2019: RMB71,019,374,000), net of accumulated impairment of property, plant and equipment of approximately RMB1,979,715,000 (2019: RMB5,587,687,000) and identify if there is indication that those assets many suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value-in-use. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact.

Based on the directors' assessment of recoverable amount of each CGU and with reference to fair values of certain property, plant and equipment assessed by independent valuer, impairment loss on property, plant and equipment of approximately RMB162,283,000 (2019: RMB1,727,404,000), no write-off of property, plant and equipment (2019: RMB292,479,000) and no reversal of impairment of property, plant and equipment (2019: RMB968,480,000) was recognised for the year ended 31 December 2020.

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

Key sources of estimation uncertainty (Continued)

Estimated useful life of property, plant and equipment

At the end of each reporting period, the directors of the Company review the estimated useful life of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment as at 31 December 2020 are RMB64,750,361,000 (2019: RMB71,019,374,000).

Impairment of trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2020, the carrying amount of trade receivables was approximately RMB10,335,568,000 (2019: RMB10,311,326,000), net of allowance for impairment loss of approximately RMB7,186,000 (2019: RMB7,001,000).

Impairment assessment of interest in an associate

The carrying amount of the interest in an associate is tested for impairment as a single asset. Determining whether interest in an associate is impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in an associate. The Group identifies impairment indicators by considering the market and economic environment in which the associate operates and the financial performance of the associate. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the associate and apply a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2020, the carrying amount of interest in an associate was RMB2,650,944,000 (2019: RMB2,204,748,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2020 and 2019.

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

Key sources of estimation uncertainty (Continued)

Impairment assessment of loan to an associate

The impairment assessment of loan to an associate is based on (i) assumptions about ECL and (ii) the net realisable value of the underlying collateral received. The Group uses judgement in making assumptions and selecting the inputs to the ECL calculation including the associates historical credit loss experience and forward-looking information at the end of the reporting period. Changes in assumption and selection of data inputs by result in significant change in carrying amount of the loan to associate. As at 31 December 2020, the carrying amount of loan to an associate amounted to RMB2,000,000,000 (2019: RMB2,000,000,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2020 and 2019.

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on subsequent sales, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2020, the carrying amount of inventories and accumulated allowance for inventories was approximately RMB19,717,811,000 (2019: RMB21,846,922,000), net of allowance of impairment loss of approximately RMB127,832,000 (2019:RMB110,580,000) and no write-off of inventories (2019: RMB33,213,000) has been recognised in profit or loss.

Fair value of derivatives component of convertible bonds

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amounts of derivatives component of convertible bonds of approximately RMB550,111,000 (2019: RMB279,937,000) as at 31 December 2020 are set out in note 40.

5. REVENUE

An analysis of the Group's revenue are recognised at a point in time as follows:

	2020 RMB'000	2019 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**59,363,115**	59,341,583
– aluminum alloy ingots	**3,894,084**	2,549,466
– aluminum fabrication	**8,781,080**	9,104,598
– alumina	**13,486,945**	12,521,125
Steam supply income	**619,417**	662,516
	86,144,641	84,179,288

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

	2020 RMB'000	2019 RMB'000
Geographical region		
The PRC	**82,342,173**	80,224,507
India	**839,287**	1,102,616
Europe	**715,969**	369,731
Malaysia	**650,694**	1,334,050
Southeast Asia	**614,070**	568,581
North America	**557,596**	324,380
Others	**424,852**	255,423
Total	**86,144,641**	84,179,288
Type of customers		
Government related	**2,481**	2,341
Non-government related	**86,142,160**	84,176,947
Total	**86,144,641**	84,179,288
Sales channels		
Direct sales	**86,144,641**	84,179,288

6. SEGMENT INFORMATION

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

Geographic information

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	
	2020	2019
	RMB'000	RMB'000
PRC	**70,745,770**	74,813,770
Indonesia	**6,615,199**	6,461,285
	77,360,969	81,275,055

Note: Non-current assets excluded financial instruments, loan to an associate and deferred tax assets.

Information about major customers

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

	2020	2019
	RMB'000	RMB'000
Customer A	**33,645,435**	30,033,675

7. OTHER INCOME AND GAINS

	2020 RMB'000	2019 RMB'000
Bank interest income	**166,393**	122,338
Other interest income	**214,838**	176,144
Investment income	**105,802**	2,026
Interest income from an associate	**133,569**	62,000
Imputed interest on receivables arising from disposal of a subsidiary	**–**	57,926
Gain from sales of raw materials and scraps materials	**696,089**	430,739
Gain from sales of slag of carbon anode blocks	**654,964**	701,401
Gain on bargain purchase (note 47)	**–**	3,282
Gain on disposal of property, plant and equipment	**–**	21,631
Gain on disposal of investment properties	**–**	379,542
Gain on partial disposal of a subsidiary (note 48)	**1,406**	–
Reversal of impairment of property, plant and equipment (note (i))	**–**	968,480
Reversal of impairment of inventories (note (iii))	**88,975**	69,366
Reversal of impairment of other receivables	**–**	13,335
Amortisation of deferred income (note 42)	**107,050**	22,746
Value-added tax ("VAT") income (note (ii))	**–**	2,053
Foreign exchange gain, net	**320,832**	–
Rental income for investment properties under operating lease that lease payments are fixed	**–**	6,207
Other tax refunded (note (iv))	**63,849**	–
Others	**146,952**	101,301
	2,700,719	3,140,517

Notes:

(i) During the year ended 31 December 2019, due to the relocation of production capacities programme, certain of previous impaired property, plant and equipment resumed its production and certain property, plant and equipment previously impaired were sold within twelve months from the end of 2019, the directors of the Company conducted a review of the related property, plant and equipment and determined that a reversal of provision for impairment loss of approximately RMB968,480,000 on relevant property, plant and equipment was recognised. The recoverable amounts of the assets were either fair values less costs of disposals or value-in-use. Details of the directors' review are set out in note 8.

(ii) Pursuant to the VAT reform, entities engaged in the finance lease business were eligible for refund of VAT that was 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.

(iii) A reversal of allowance for inventories of approximately RMB88,975,000 has been recognised as the corresponding inventories were either sold at profit or used.

(iv) In August 2019, the Group suffered heavy losses due to severe natural disasters caused by serious typhoon in the PRC and then were successfully claimed and received other tax refunded from the PRC local tax authority of approximately RMB63,849,000 in 2020.

8. OTHER EXPENSES

	2020 RMB'000	2019 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note (i))	**162,283**	1,727,404
Impairment loss recognised in respect of right-of-use assets	**–**	3,449
Impairment loss recognised in respect of goodwill (note 22)	**330,594**	–
Impairment loss recognised in respect of other receivables	**17,297**	15,577
Impairment loss recognised in respect of trade receivables	**185**	276
Write-down of inventories to net realisable value	**106,227**	94,400
Write-off of property, plant and equipment (note (ii))	**–**	292,479
Write-off of inventories (note (ii))	**–**	33,213
	616,586	2,166,798

Notes:

(i) During the year ended 31 December 2020, due to the coal consumption reduction alternative work programme introduced by the relevant governmental regulations, the directors of the Company have suspended certain plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of approximately RMB162,283,000 have been recognised in respect of the Group's property, plant and equipment. The recoverable amounts of relevant property, plant and equipment was determined on the basis of their fair value less costs of disposal.

During the year ended 31 December 2019, due to (i) the relocation of production capacities programme and the coal consumption reduction alternative work programme introduced by the relevant governmental authorities; and (ii) the serious typhoon happened in the PRC, the directors of the Company had suspended certain property, plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of RMB1,727,404,000 was recognised in respect of the Group's property, plant and equipment. The recoverable amounts of relevant property, plant and equipment was determined on the basis of their value-in-use.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using zero growth rate until the end of the expected useful lives of relevant plants and machineries. Other key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses. Management determined these key assumptions based on past performance and their expectations on market development. Further, the Group adopts a pre-tax rate of ranging from 12.7% to 14.0% (2019: ranging from 12.7% to 14.0%) that reflects specific risks related to the CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of the CGUs within operating segments. Market comparable approach is used to measure fair value less costs of disposal. The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy.

The valuation carried out on 31 December 2020 and 2019 was performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations.

(ii) During the year ended 31 December 2019, due to the serious typhoon happened in the PRC, certain property, plant and equipment and inventory were damaged. The directors of the Company conducted a review of the Group's property, plant and equipment and inventory and determined that a number of those assets with carrying amounts of approximately RMB445,584,000 were written-off. After net-off by insurance claims of approximately RMB153,105,000, the net loss on write-off of property, plant and equipment of approximately RMB292,479,000 and loss on write-off of inventories of approximately RMB33,213,000 were recognised.

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest expenses on bank borrowings	**1,762,740**	1,872,047
Interest expenses on other borrowing	**63,960**	102,833
Interest expenses on short-term debentures and notes	**–**	46,900
Interest expenses on medium-term debentures and bonds	**2,184,942**	2,883,997
Interest expenses on guaranteed notes	**261,003**	100,235
Interest expenses on convertible bonds	**229,958**	210,102
Interest expenses on lease liabilities	**3,633**	3,481
	4,506,236	5,219,595

10. INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**2,842,822**	2,325,832
– Indonesia Corporate Income Tax	**39,550**	139,426
– Withholding tax paid	**–**	9,391
Under provision in prior year		
– Hong Kong Profits Tax	**–**	9,239
	2,882,372	2,483,888
Deferred taxation (note 41)	**(622,773)**	(167,964)
Total income tax expenses for the year	**2,259,599**	2,315,924

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2020 and 2019 as there were no assessable profits generated during the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. During the years ended 31 December 2020 and 2019, two PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" and complied the requirements of tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2019: 15%).

The subsidiaries incorporated in BVI, Singapore and Guinea had no assessable profits since their incorporation.

Under the Government Regulation (in Lieu of Law) No. 1 of 2020 issued, corporate income tax rate was reduced from the current rate of 25% to 22% for fiscal year 2020 and 2021 and to 20% starting fiscal year 2022. A subsidiary operating in Indonesia is subject to corporate income tax rate of Indonesia at 22% (2019: 25%) for the year ended 31 December 2020.

10. INCOME TAX EXPENSES (Continued)

An Indonesia withholding income tax of 10% levied on the Company when the Indonesia subsidiary paid dividend out of profits earned to the Company in 2019. No withholding tax paid was made as there was no dividend paid for the year ended 31 December 2020.

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 taxati(ing tax of 5% or thedividchangcialp4,r%, Tjed odueCompanyility of thinotri-Hong Kong tax treaty. Deferrodurof 565 Tw 092

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 9 (2019: 10) directors and the chief executive were as follows:

	Non-executive directors			Non-executive directors			Independent non-executive directors			
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong (Zhang Hao as his alternate)[2] RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2020										
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings										
Fees	500	800	500	600	300	300	200	200	200	3,600
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings										
Other emoluments										

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

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2019: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2019: three) individuals were as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other benefits	**2,926**	2,863
Retirement benefits scheme contributions	**97**	95
	3,023	2,958

Their emoluments were within the following bands:

	No. of employee	
	2020	2019
Nil to HK$1,000,000 (approximately RMB866,000)	**1**	2
HK$1,000,001 to HK$1,500,000 (approximately RMB866,000 to RMB1,299,000)	**2**	1
HK$1,500,001 to HK$2,000,000 (approximately RMB1,299,000 to RMB1,732,000)	**–**	–
HK$2,000,001 to HK$2,500,000 (approximately RMB1,732,000 to RMB2,165,000)	**–**	–
	3	3

14. DIVIDENDS

	2020 **RMB'000**	2019 RMB'000
Dividends recognised as distribution during the year	**3,760,997**	1,807,631

Subsequent to the end of the reporting period, a final dividend of HK50 cents per share in respect of the year ended 31 December 2020 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

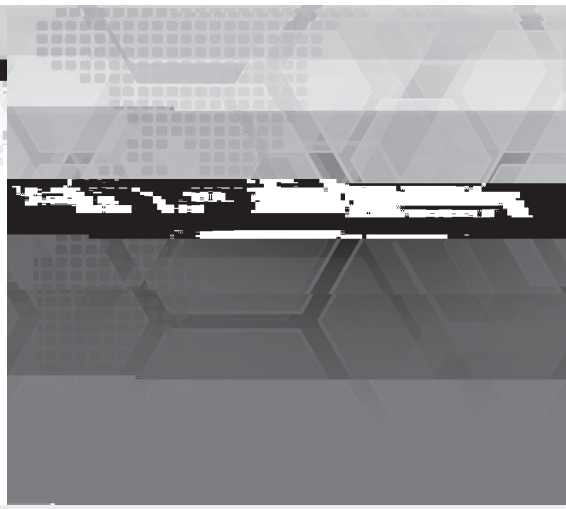
During the current year, a final dividend of HK34 cents per share in respect of the year ended 31 December 2019 and an interim dividend of HK15 cents per share in respect of the six months ended 30 June 2020 have been approved and paid.

During the year ended 31 December 2019, a final dividend of HK24 cents per share in respect of the year ended 31 December 2018 has been approved and paid.

15. EARNINGS PER SHARE

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

	2020 RMB'000	2019 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**10,495,936**	6,095,335
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**–**	210,102
Changes in fair values of derivatives component of convertible bonds	**–**	(140,558)
Exchange loss on tme1 Tc CS Td1sthe basic e bonds	**–**	



16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

At 31 December 2020, certain of the Group's buildings with a net carrying amount of approximately RMB12,203,099,000 (2019: RMB11,121,259,000) were pledged to secure bank borrowings of the Group (note 36).

There are properties with a carrying amount of approximately RMB4,681,319,000 (2019: RMB4,488,324,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

17. LEASES

(i) Right-of-use assets

	Land use rights RMB'000	Properties RMB'000	Vessels, crew boats and crane barge RMB'000	Total RMB'000
COST				
As at 1 January 2019	5,047,468	54,564	–	5,102,032
Additions	125,683	36,145	21,899	183,727
Transfer from investment properties	59,706	–	–	59,706
Exchange realignment	730	117	773	1,620
At 31 December 2019 and 1 January 2020	5,233,587	90,826	22,672	5,347,085
Additions	735,440	25,980	–	761,420
Disposals	(56,477)	–	–	(56,477)
Disposal of a subsidiary (note 48)	(10,690)	–	–	(10,690)
Transfer to investment properties (note 19)	(4,312)	–	–	(4,312)
Exchange realignment	(1,912)	(176)	(1,684)	(3,772)
At 31 December 2020	5,895,636	116,630	20,988	6,033,254
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 January 2019	–	–	–	–
Impairment loss recognised in profit or loss	3,449	–	–	3,449
Depreciation for the year	168,773	16,610	5,408	190,791
Exchange realignment	229	36	165	430
At 31 December 2019 and 1 January 2020	172,451	16,646	5,573	194,670
Depreciation for the year	176,034	24,641	8,230	208,905
Eliminated on disposals	(14,456)	–	–	(14,456)
Disposal of a subsidiary (note 48)	(298)	–	–	(298)
Transfer to investment properties (note 19)	(1,259)	–	–	(1,259)
Exchange realignment	–	(132)	(727)	(859)
At 31 December 2020	332,472	41,155	13,076	386,703
CARRYING VALUES				
At 31 December 2020	5,563,164	75,475	7,912	5,646,551
At 31 December 2019	5,061,136	74,180	17,099	5,152,415

17. LEASES (Continued)

(i) Right-of-use assets (Continued)

As at 31 December 2020, right-of-use assets of RMB5,563,164,000 (2019: RMB5,061,136,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. As at 31 December 2020, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB599,505,000 (2019: RMB981,668,000). In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for office premises, factories, vessels, crew boats and crane barges. The lease terms are generally ranged from 2 to 20 years (2019: 2 to 20 years).

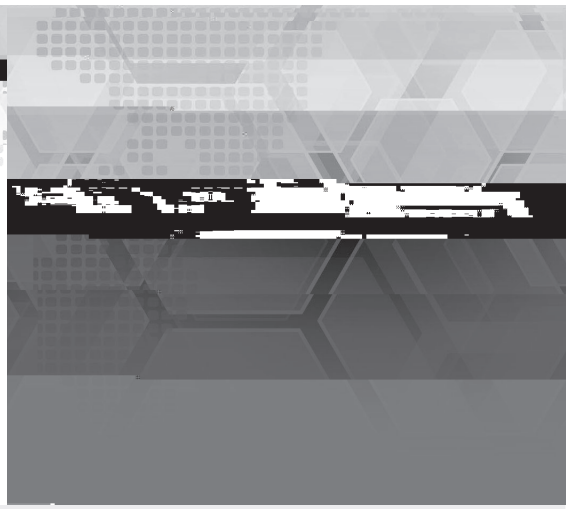
At 31 December 2020, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB293,636,000 (2019: RMB300,980,000) were pledged to secure bank borrowings of the Group (note 36).

(ii) Lease liabilities

	2020	2019
	RMB'000	RMB'000
Non-current	**58,609**	61,859
Current	**25,080**	28,874
	83,689	90,733

Amounts payable under lease liabilities

	2020	2019
	RMB'000	RMB'000
Within one year	**25,080**	28,874
After one year but within two years	**12,308**	17,338
After two years but within five years	**10,203**	6,937
After five years	**36,098**	37,584r03h128 810yea



19. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2019	**156,472**
Disposals	**(93,152)**
Reclassified as right-of-use assets (note 17)	**(63,320)**
At 31 December 2019 and 1 January 2020	**–**
Transfer from owner-occupied properties (note 16)	**1,135**
Transfer from right-of-use assets (note 17)	**3,053**
At 31 December 2020	**4,188**
ACCUMULATED DEPRECIATION	
At 1 January 2019	**12,866**
Provided for the year	**1,121**
Eliminated on disposals	**(10,373)**
Reclassified as right-of-use assets (note 17)	**(3,614)**
At 31 December 2019 and 1 January 2020	**–**
Provided for the year	**135**
At 31 December 2020	**135**
CARRYING VALUES	
At 31 December 2020	**4,053**
At 31 December 2019	**–**

During the year ended 31 December 2020, the Group has transferred a property with carrying amounts of approximately RMB1,135,000 and RMB3,053,000 from property, plant and equipment and right-of-use assets respectively to investment properties due to the change in use, which evidenced by inception of an operating lease to another party.

The fair value of the Group's investment properties as at 31 December 2020 was approximately RMB7,800,000. The fair value has been arrived at with reference to a valuation carried out by ZhongJing Minxin (Beijing) Assets Appraisal Co., Ltd., an independent qualified professional valuer, not connected to the Group. The fair value was b31 1001 ofn prober 2020 is prs icurryn 10010.0158above 8.9961 79020

19. INVESTMENT PROPERTIES (Continued)j35 (.8 (86 4()35 (C)350 7.9966 463.7049 44.4 jr e246



20. INTERESTS IN ASSOCIATES (Continued)

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

ABM

	2020 RMB'000	2019 RMB'000
Current assets	**8,283,257**	8,628,495
Non-current assets	**630**	–
Current liabilities	**(2,113,492)**	(2,205,178)
Non-current liabilities	**(717,739)**	(767,382)
Revenue	**6,232,162**	7,973,956
Profit for the year	**187,841**	1,738,509
Other comprehensive (expense) income for the year	**(391,121)**	70,302
Total comprehensive (expense) income for the year	**(203,280)**	1,808,811

The reconciliation of the summarised financial information pres8746ptboivetof thecarrying amouent of thei874pretei8 2 the asonci

21. LOAN TO AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Non-current portion		
Loan to an associate	**–**	2,000,000
Current portion		
Loan to an associate	**2,000,000**	–

The balance of loan to an associate is secured by plant and equipment of the associate, bearing interest at 6% (2019: 6%) per annum and repayable on 20 June 2021.

22. GOODWILL

	2020 RMB'000	2019 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
IMPAIRMENT		
At beginning of the financial year	**1,325,639**	1,325,639
Impairment loss recognised during the year	**330,594**	–
At the end of the financial year	**1,656,233**	1,325,639
CARRYING AMOUNT		
At 31 December	**278,224**	608,818

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

During the year ended 31 December 2020, the Group recognised an impairment loss of approximately RMB330,594,000 (2019: nil) in relation to goodwill arising on acquisition of Hongchuang and Binzhou Municipal Beihai Xinhe New Material Co., Ltd. * ("Beihai Xinhe"), resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang and decrease in value-in-use of Beihai Xinhe. No impairment loss has been recognised during the year ended 31 December 2019.

22. GOODWILL (Continued)

Impairment test on goodwill

For the purposes of impairment testing, goodwill has been allocated to the following CGUs:

	2020 RMB'000	2019 RMB'000

22. GOODWILL (Continued)

(Continued)

The following sensitivity analysis below:tinued)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVEINCOME ("FVTOCI")

Financial assets at FVTOCI comprise:

	2020 RMB'000	2019 RMB'000
Equity instruments as at FVTOCI		
Listed	**633,652**	289,339

The fair value of these investments is disclosed in note 46.

Investments in listed equity securities represent the Group's investment in Bank of Jinzhou and Weihai City Commercial Bank Co., Ltd, companies listed in Hong Kong, of approximately RMB250,596,000 (2019: RMB289,339,000) and RMB383,056,000 (2019: nil) respectively.

Bank of Jinzhou engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the China Banking Regulatory Commission. Weihai City Commercial Bank Co., Ltd engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

24. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**13,181,335**	14,292,339
Work in progress	**6,015,670**	6,995,936
Finished goods	**520,806**	558,647
	19,717,811	21,846,922

During the year, the allowance for inventories of approximately RMB106,227,000 (2019: RMB94,400,000) has been recognised and included in other expenses.

During the year, inventories previously impaired were sold at profit or used. As a result, a reversal of provision of approximately RMB88,975,000 (2019: RMB69,366,000) has been recognised and included in other income and





26. BILLS RECEIVABLES

	2020 RMB'000	2019 RMB'000
Bills receivables	**9,157,692**	11,139,775

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

	2020 RMB'000	2019 RMB'000

27. PREPAYMENTS AND OTHER RECEIVABLES

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

	2020 RMB'000	2019 RMB'000
Prepayments to suppliers	**1,401,177**	967,864
Prepayments to an associate (note (ii))	**3,617,585**	2,438,457
Value-added tax recoverable	**1,173,192**	954,990
CIT refundable	**54,862**	63,050
Prepayment for acquisition of right-of-use assets	**119,260**	–
Receivables arising from dealing with futures	**294,480**	123,094
Receivables arising from disposal of plant and equipment(note (iii))	**1,500,000**	–
Receivables arising from disposal of non-current assets classified as held for sale (note 32)	**389,873**	–
Receivables from dealing with investment	**–**	1,000,000
Insurance recoverable	**–**	150,567
Factoring receivables (note (i))	**466,918**	219,944
Interest receivables	**23,226**	3,965
Dividend receivables	**28,009**	8,355
Others	**234,945**	185,726
	9,303,527	6,116,012
Less: allowance for impairment losses	**(57,997)**	(40,700)
	9,245,530	6,075,312
Analysed as		
Current	**9,126,270**	6,075,312
Non-current	**119,260**	–
	9,245,530	6,075,312

Notes:

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

(ii) On 21 June 2019, the Group entered into an electricity procurement agreement with an associate of the Group, pursuant to which the Group agreed to provide a prepayment to the associate for the supply of electricity.

(iii) On 18 March 2020, the Group has entered into a sales and purchase agreement with an independent third party agreed to dispose power

27. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

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

For the year ended 31 December 2020

	Weighted average expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**	**Net carrying amount RMB'000**
Other receivables-Default	**N/A**	**29,515**	**(29,515)**	**–**
Other receivables-Doubtful	**6.10%**	**466,918**	**(28,482)**	**438,436**
Other receivables-Performing	*****	**2,441,018**	**–**	**2,441,018**
		2,937,451	**(57,997)**	**2,879,454**

For the year ended 31 December 2019

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables-Default	N/A	26,844	(26,844)	–
Other receivables-Doubtful	6.30%	219,944	(13,856)	206,088
Other receivables-Performing	*	1,444,863	–	1,444,863
		1,691,651	(40,700)	1,650,951

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

30. OTHER FINANCIAL ASSET/LIABILITIES

	2020 RMB'000	2019 RMB'000
Other financial asset		
Capped forward contract	–	819
Other financial liabilities		
Capped forward contract	1,848	–
Interest rate swaps contracts	3,094	3,300
	4,942	3,300

Major terms of the capped forward contract are as follows:

Years ended 31 December 2020 and 2019

Notional amount	Maturity	Exchange rate
US$10,000,000	20 July 2022	Buy US$/Sell RMB at 6.90 to 7.01

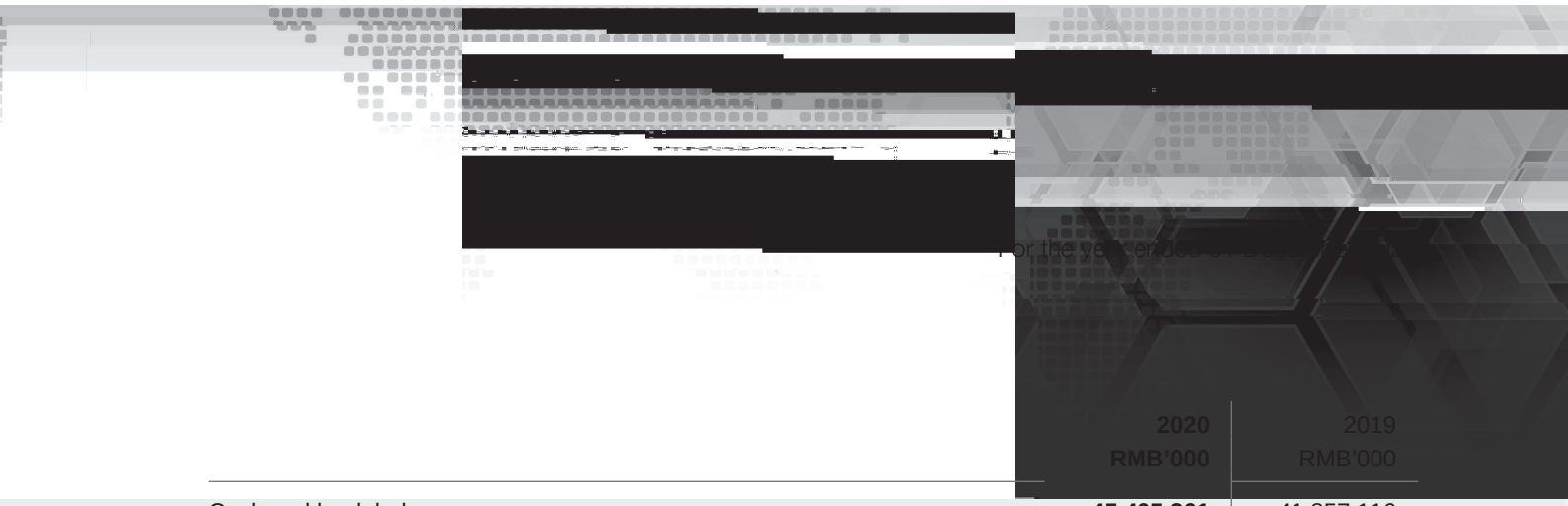
Major terms of the interest rate swaps are as follows:

Year ended 31 December 2020

Notional amount	Maturity	Swaps
US$14,000,000	9 April 2021	From 0.45% per annum to 1-Month US$-LIBOR
US$24,500,000	14 April 2021	From 0.52% per annum to 1-Month US$-LIBOR
US$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US$-LIBOR
US$20,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR
US$25,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR

Year ended 31 December 2019

Notional amount	Maturity	Swaps
US$ 20,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR
US$ 25,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR



	2020 RMB'000	2019 RMB'000
Cash and bank balances	**45,465,361**	41,857,116
Restricted bank deposits	**1,542,098**	1,423,967
	47,007,459	43,281,083
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,027,301)**	(1,002,928)
– pledged for issuance of letter of credit	**(200,581)**	(117,472)
– pledged for guarantee issued	**(314,216)**	(299,060)
– other restricted bank balances	**–**	(4,507)
Cash and cash equivalents	**45,465,361**	41,857,116

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

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

Bank balances and time deposits carry interest at market rates which ranged from 0.05% to 1.50% (2019: 0.05% to 1.50%) per annum.

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate ranged from 0.05% to 1.55% (2019: 0.05% to 1.55%) per annum.

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 46.

32. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE –the-T7 0,62ricted

32. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

The disposal was expected to be completed within twelve months from the end of 2019 and was therefore classified as assets held for sales in the consolidated statement of financial position for the year ended 31 December 2019. The sales proceeds were equal to the net carrying amounts of the relevant assets and accordingly, no impairment was recognised. The disposal was negotiated under arm's length basis and approved by the board of directors' of the subsidiary.

During the year ended 31 December 2020, the disposal was completed and the legal title of the property, plant and equipment has been transferred.

Major classes of assets as at the end of the current year are as follows:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	**–**	530,973
Assets classified as held for sale	**–**	530,973

* The English name of the above company is for reference only

33. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2020 RMB'000	2019 RMB'000
Changes in fair values of arising from:		
– capped forward contract	**(2,667)**	819
– interest rate swaps contracts	**206**	(3,300)
– derivatives component of convertible bonds (note 40)	**(288,794)**	140,558
	(291,255)	138,077

34. TRADE AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables to third parties	**10,997,877**	15,820,689
Trade payables to an associate	**251,263**	203,267
Trade payables to related parties	**41,754**	52,858
	11,290,894	16,076,814
Bills payables	**2,086,175**	2,138,842
	13,377,069	18,215,656

34. TRADE AND BILLS PAYABLES (Continued)

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

36. BANK BORROWINGS (Continued)

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$ at floating rates are calculated based on London Interbank Offered Rate ("LIBOR").

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

	2020	2019
Effective interest rate:		
Fixed-rate borrowings	**2.45% to 8.00%**	3.40% to 7.00%
Variable-rate borrowings	**4.35% to 6.09%**	4.57% to 6.09%

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

	2020 RMB'000	2019 RMB'000
US$	**4,472,920**	5,219,214

Notes:

(i) Bank borrowings of approximately RMB1,299,000,000 (2019: RMB299,000,000) are guaranteed by a related party was set out in note 52.

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

	2020 RMB'000	2019 RMB'000
Floating rate		
– expiring within one year	**20,769,432**	19,332,311

37. OTHER BORROWING

	2020 RMB'000	2019 RMB'000
Other borrowing, unsecured		
Amount shown under current liabilities	–	1,391,446

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

	2020 RMB'000	2019 RMB'000
Within one year	–	1,391,446

The interest rate of the other borrowing of US$200,000,000, which was fixed at 7.50% per annum, was fully settled during the year ended 31 December 2020.

38. MEDIUM-TERM DEBENTURES AND BONDS

	2020 RMB'000	2019 RMB'000
Medium-term debentures and bonds-due within one year	**22,774,698**	1,495,784
Medium-term debentures and bonds-due after one year	**13,345,378**	38,529,229
	36,120,076	40,025,013

38. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2020 and 2019 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	14 October 2015	Nil (2019: 1,000,000)	5.50%	5.86%	14 October 2020
Medium-term debentures B	15 December 2015	Nil (2019: 500,000)	5.20%	5.88%	15 December 2020
Medium-term debentures C	25 October 2016	1,000,000	3.87%	4.21%	16 October 2021
Medium-term debentures D	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures E	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	1,000,000	5.20%	5.55%	19 January 2022
Medium-term debentures H	2 March 2018	1,000,000	7.50%	7.85%	6 March 2021
Medium-term debentures I	18 April 2018	1,000,000	7.30%	7.65%	19 April 2021
Medium-term debentures J	20 April 2018	1,300,000	6.75%	7.09%	23 April 2021
Medium-term debentures K	25 April 2018	1,000,000	6.73%	7.07%	27 April 2021
Medium-term debentures L	26 April 2018	1,000,000	6.90%	7.24%	27 April 2021
Medium-term debentures M	24 May 2018	1,000,000	7.47%	7.82%	25 May 2021
Medium-term debentures N	13 August 2018	1,000,000	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	500,000	7.47%	7.75%	27 August 2021
Medium-term debentures P	12 July 2019	600,000	7.00%	7.24%	12 July 2022
Listed					
Enterprise bonds A	3 March 2014	1,149,960	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,056,362	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	214	6.26%	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	1,064,213 (2019: 1,999,950)	7.30%	7.43%	14 January 2021
Enterprise bonds E	14 January 2016	521,956 (2019: 1,000,000)	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	953,695 (2019: 1,800,000)	7.00%	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,198,240	6.70%	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	6.50%	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	6.30%	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	6.00%	6.22%	26 March 2024
Private placement enterprise bond B	15 July 2016	26,000	6.80%	4.73%	3 March 2021

38. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Debentures A, B, C, D, E, F, G, H, I, J, K, L, M, N, O and P 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 bonds D, E, F, G, H, I, J, K, L, private placement enterprise bond B were issued under the approval of China Securities Regulatory Commission. During the year ended 31 December 2020, the Group has redeemed the debentures A and B for RMB1,500,000,000 together with interest accrued up the that date.

According to the terms and conditions of private placement enterprise bonds B, the interest rate is 6.48% per annum for 3 years, up to 15 July 2019. At the end of the third year, on 14 July 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of-300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year. During the year ended 31 December 2020, no private placement enterprises bonds B has been redeemed (2019: RMB2,974,000,000 together with interest accrued up the that date).

According to the terms and conditions of enterprise bonds A, the interest rate of the enterprise bonds is 8.69% per annum for the 5 years, up to 3 March 2019. At the end of the fifth year, on 3 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive). During the year ended 31 December 2020, no enterprises bonds A has been redeemed (2019: RMB50,040,000 together with interest accrued up the that date).

According to the terms and conditions of enterprise bonds B, the interest rate of the enterprise bonds is 7.45% per annum for the 3 years, up to 21 August 2017. At the end of the third year and fifth year, on 21 August 2017 and 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

According to the terms and conditions of enterprise bonds C, the interest rate of the enterprise bonds is 5.26% per annum for the 4 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

38. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

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

	2020 RMB'000	2019 RMB'000
Within one year	**22,774,698**	1,495,784
In the second to fifth year	**13,345,378**	38,529,229
	36,120,076	40,025,013

39. GUARANTEED NOTES

	2020 RMB'000	2019 RMB'000
Non-current liabilities	**3,242,270**	3,457,313

On 17 April 2018, the Company issued 6.85% guaranteed notes with the aggregate principal amount of US$450,000,000 (equivalent to approximately RMB2,865,150,000) (the "2019 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2019 Guaranteed Notes matured on 22 April 2019. The 2019 Guaranteed Notes were listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2019 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2019 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 22 April 2019	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 April 2019	106.85% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2019 Guaranteed Notes on 22 April 2019, plus all required remaining scheduled interest payments due on the 2019 Guaranteed Notes through 22 April 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 22 April 2019, the Company may at its option redeem the 2019 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

39. GUARANTEED NOTES (Continued)

Notes: (Continued)

(iii) At any time prior to 22 April 2019, the Company may redeem up to 35% of the 2019 Guaranteed Notes, at a redemption price of 106.85% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2019 Guaranteed Notes on date of issuance was net of issue expenses of US$4,837,000 (equivalent to approximately RMB30,793,000) and the effective interest rate of the 2019 Guaranteed Notes is 9.06% per annum.

On 22 April 2019, the Company redeemed the 2019 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

On 22 July 2019, the Company issued 7.125% guaranteed notes with the aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,060,310,000) (the "2022 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will be matured on 22 July 2022. The 2022 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2022 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2022 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 22 July 2022	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 July 2022	107.125% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2022 Guaranteed Notes on 22 July 2022, plus all required remaining scheduled interest payments due on the 2022 Guaranteed Notes through 22 July 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 22 July 2022, the Company may at its option redeem the 2022 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 22 July 2022, the Company may redeem up to 35% of the 2022 Guaranteed Notes, at a redemption price of 107.125% 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.

39. GUARANTEED NOTES (Continued)

The carrying amount of the 2022 Guaranteed Notes on date of issuance was net of issue expenses of US$4,000,000 (equivalent to approximately RMB27,471,000) and the effective interest rate of the 2022 Guaranteed Notes is 7.63% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition.

On 24 September 2019, the Company issued 7.375% guaranteed notes with the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,414,580,000) (the "2023 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2023 Guaranteed Notes will be matured on 2 May 2023. The 2023 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2023 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2023 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 2 May 2023	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 2 May 2023	107.375% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:nohe Ggh to 2 May 2 to (bexcincludlus accrued and unpaid i)c

40. CONVERTIBLE BONDS

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

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

	Liability component of CBs RMB'000	**Derivatives component of CBs** RMB'000	**Total** RMB'000
As at 1 January 2019	1,012,052	415,195	1,427,247
Changes in fair values	–	(140,558)	(140,558)
Effective interest expenses	210,102	–	210,102
Interest paid	(86,755)	–	(86,755)
Exchange realignment	15,156	5,300	20,456
At 31 December 2019 and 1 January 2020	**1,150,555**	**279,937**	**1,430,492**
Changes in fair values	**–**	**288,794**	**288,794**
Effective interest expenses	**229,958**	**–**	**229,958**
Interest paid	**(86,733)**	**–**	**(86,733)**
Exchange realignment	**(77,841)**	**(18,620)**	**(96,461)**
As at 31 December 2020	**1,215,939**	**550,111**	**1,766,050**

40. CONVERTIBLE BONDS (Continued)

No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the years ended 31 December 2020 and 2019.

On 17 June 2019, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$7.53 to HK$7.21 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 15 June 2020, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$7.21 to HK$6.51 per share and on 16 November 2020, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$6.51 to HK$6.31 per share and on 1 December 2020, as a result of the Company's share placing, the conversion price of the CBs was adjusted from HK$6.31 to HK$6.29 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2020, the principal amount of the CBs that remained outstanding amounted to US$246,400,000 (2019: US$246,400,000) of which a maximum of 306,382,143 (2019: 267,287,611) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018 and 13 July 2018, 17 June 2019, 15 June 2020, 16 November 2020 and 1 December 2020.

At 31 December 2020 and 2019, the fair values of the derivatives component was valued by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the Binomial model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	At 31 December 2020	At 31 December 2019
Share price	**HK$7.10**	HK$4.70
Conversion price	**HK$6.29**	HK$7.21
Expected volatility	**40.49%**	41.71%
Expected life	**1.91 years**	2.91 years
Risk free rate	**0.12%**	1.59%
Expected dividend yield	**2.09%**	4.98%

41. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), before set off c0 7.9966 T7Tj1 scn/GS1 gs/T13 1 Tf0 Tc 9.495

42. DEFERRED INCOME

	2020 RMB'000	2019 RMB'000
Government grants		
– Current liabilities	**17,855**	22,330
– Non-current liabilities	**581,828**	549,086
	599,683	571,416

43. SHARE CAPITAL (Continued)

Note: On 2 December 2020, 307,500,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$6.3 per share, raising a total proceeds of approximately RMB1,617,654,000, net of share issue expense of approximately RMB26,433,000.

The Company does not have any share option scheme.

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

During the year ended 31 December 2019, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share		Aggregate consideration paid	Share cancelled date
		Highest	Lowest		
		HK$	HK$	HK$	
14-Jan-19	620,000	4.80	4.79	2,975,000	25-Jan-19
16-Jan-19	2,406,500	5.05	4.95	12,072,000	25-Jan-19
17-Jan-19	1,880,000	5.07	5.05	9,511,000	25-Jan-19
18-Jan-19	1,060,000	5.05	5.04	5,352,000	25-Jan-19
25-Mar-19	8,000,000	5.65	5.39	44,837,000	9-Apr-19
26-Mar-19	8,375,000	5.71	5.62	47,444,000	9-Apr-19
27-Mar-19	6,174,000	5.77	5.61	35,271,000	9-Apr-19
28-Mar-19	10,150,000	5.89	5.78	59,551,000	9-Apr-19
29-Mar-19	9,150,000	5.92	5.74	53,809,000	9-Apr-19
9-Apr-19	4,500,000	6.53	6.20	28,798,000	24-Apr-19
10-Apr-19	4,150,000	6.68	6.49	27,357,000	24-Apr-19
11-Apr-19	8,500,000	6.75	6.61	57,154,000	24-Apr-19
12-Apr-19	7,000,000	6.76	6.57	46,800,000	24-Apr-19
22-May-19	6,423,000	5.50	5.21	34,977,000	3-Jun-19
23-May-19	10,189,000	5.56	5.34	55,917,000	3-Jun-19
24-May-19	3,798,000	5.54	5.49	20,894,000	3-Jun-19
27-May-19	7,517,500	5.51	5.34	41,137,000	19-Jun-19
29-May-19	4,649,500	5.57	5.40	25,589,000	19-Jun-19

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2019: nil).

44. RESERVES

(a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao New Material Co., Ltd * ("Shandong Hongqiao")山東宏橋新型材料有限公司in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. * ("Chongqing Weiqiao")重慶魏橋金融保理有限公司acquired from Weiqiao Chuangye Group Company Limited * ("Weiqiao Chuangye")山東魏橋創業集團有限公司in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; and (v) share of capital reserve of an associate from Shandong Innovation Carbon New Material Co., Ltd.* ("Innovation Carbon New Material")山東創新炭材料有限公司.



46. FINANCIAL INSTRUMENTS (Continued)

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

(c) Market risk

(i) Currency risk

A subsidiary of the Company has foreign currency sales, which expose the Group to foreign currency risk. Approximately 2.36% of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale. In addition, the Company has intra-group balance with a subsidiary denominated in foreign currency which also expose the Group to foreign currency risk.

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

	Assets		Liabilities	
	2020	2019	**2020**	2019

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against the relevant foreign currencies 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2019: 5%) against the relevant currency. For a 5% (2019: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2020	2019
	RMB'000	RMB'000
Effect on post-tax profit:		
US$ (note (i))	**490,098**	720,610
HK$ (note (ii))	**(6,129)**	(2,972)
IDR (note (iii))	**(2,576)**	(1,012)

Notes:

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

(ii) This is mainly attributable to the exposure outstanding on HK$ of cash and cash equivalents, prepayments and other receivables at year end.

(iii) This is mainly attributable to the exposure outstanding on IDR of cash and cash equivalents at year end.

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

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is mainly concentrated on equity instrument operating in consultancy service industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective equity instrument had been 10% (2019: 10%) higher/lower, other comprehensive income for the year ended 31 December 2020 would increase/decrease by approximately RMB63,365,000 (2019: RMB28,934,000) as a result of the changes in fair value of financial assets at FVTOCI.

(d) Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position

The credit risk of our Group mainly arises from loan to an associate, trade receivables, bills receivables, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/ or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered loan to an associate to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds and financial assets at amortised cost are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.



46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 December 2020

	Internal credit rating	12-month or lifetime ECL

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2019

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 14% (2019: 9%) and 47% (2019: 43%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from bank represented 11% (2019: 17%) of the total bills receivables as at 31 December 2020. In addition, the Group's bills receivables from the top five major banks represented 32% (2019: 59%) of the total bills receivables as at 31 December 2020.

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

(e) Liquidity risk management

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

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

46. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

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

(f) Fair value measurements of financial instruments

Fair value measurement 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 2020			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTOCI				
Listed equity instruments	**633,652**	**–**	**–**	**633,652**
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	**–**	**–**	**550,111**	**550,111**
Derivative financial liabilities				
– Capped forward contract	**–**	**1,848**	**–**	**1,848**
– Interest rate swap contracts	**–**	**3,094**	**–**	**3,094**
	–	**4,942**	**550,111**	**555,053**

	31 December 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Collective investment trust	–	–	2,005	2,005
Derivative financial asset				
– Capped forward contract	–	819	–	819
Financial assets at FVTOCI				
Listed equity instrument	289,339	–	–	289,339
	289,339	819	2,005	292,163
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	–	–	279,937	279,937
Derivative financial liabilities				
– Interest rate swap contracts	–	3,300	–	3,300
	–	3,300	279,937	283,237

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

46. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

The fair value of financial asset at FVTPL was determined using the income approach and the significant unobservable inputs included discount rates and average P/E multiple peers. The lower the discount rates and higher the average P/E multiple peers, the higher will be the fair value.

Reconciliation of Level 3 fair value measurements of financial asset at FVTPL on recurring basis:

	RMB'000
At 1 January 2019	–
Purchases	2,005
Balance at 31 December 2019	2,005
Disposal	(2,005)
Balance at 31 December 2020	–

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.

46. 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)

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, trade

46. 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 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial liabilities at amortised cost:				
Medium-term bonds-due after one year-listed	**9,720,304**	**–**	**–**	**9,720,304**
Medium-term bonds-due after one year-unlisted	**–**	**3,425,271**	**–**	**3,425,271**
Bank borrowings-due after one year	**–**	**9,152,703**	**–**	**9,152,703**
Liability component of convertible bonds	**–**	**1,575,167**	**–**	**1,575,167**
Guaranteed notes	**3,115,001**	**–**	**–**	**3,115,001**
	12,835,305	**14,153,141**	**–**	**26,988,446**

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds-due after one year-listed	24,182,540	–	–	24,182,540
Medium-term bonds-due after one year-unlisted	–	13,845,774	–	13,845,774
Bank borrowings-due after one year	–	3,460,646	–	3,460,646
Liability component of convertible bonds	–	1,143,260	–	1,143,260
Guaranteed notes	3,067,750	–	–	3,067,750
	27,250,290	18,449,680	–	45,699,970

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:

47. ACQUISITION OF A SUBSIDIARY

In March 2019, the Group acquired 100% of the equity interest in Hongbo Aluminum Industry Technology Company Limited * ("Hongbo Aluminum Industry") 濱州鴻博鋁業科技有限公司 from Boxing Ruifeng Aluminum Plate Company Limited *博興縣瑞豐鋁板有限公司, an independent third party, at a consideration of approximately RMB147,666,000. Approximately RMB92,166,000 of the consideration was paid during the year ended 31 December 2019 and the remaining balance of RMB55,500,000 was settled during the year ended 31 December 2020. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB3,282,000. Hongbo Aluminum Industry is engaged in the manufacture and sales of aluminum fabrication. Hongbo Aluminum Industry was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration of the acquisition:

	RMB'000
Cash consideration	147,666
Less: cash consideration paid	(147,666)
Consideration payable (included in other payables)	–

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

	RMB'000
Property, plant and equipment	421,600
Intangible assets	6
Inventories	245,658
Trade receivables	132,241
Bill receivables	7,715
Prepayments and other receivables	99,661
Cash and cash equivalents	8,766
Trade payables	(328,862)
Other payables and accruals	(435,745)
Income tax payable	(92)
	150,948

Acquisition-related costs amounting to RMB240,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2019, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

47. ACQUISITION OF A SUBSIDIARY (Continued)

Gain on bargain purchase:

	RMB'000
Consideration of the acquisition	147,666
Less: net assets acquired	(150,948)
Gain on bargain purchase	(3,282)

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	147,666
Less: cash and cash equivalent acquired	(8,766)
consideration payable	(55,500)
Net cash outflow on acquisition	83,400

Included in the profit for the year was approximately a loss of approximately RMB26,402,000, attributable to the additional business generated by Hongbo Aluminum Industry. Revenue for the year ended 31 December 2019 includes approximately RMB803,292,000 generated from Hongbo Aluminum Industry.

Had the acquisition been completed on 1 January 2019, total revenue of the Group for the year ended 31 December 2019 would have been approximately RMB84,495,325,000 and profit for the year would have been

48. PARTIAL DISPOSAL OF A SUBSIDIARY RESULTING IN LOSS OF CONTROL

In November 2020, upon additional capital contribution being made by a non-controlling shareholder of Weiqiao Haiyi, the registered capital of Weiqiao Haiyi was increased from RMB10,000,000 to RMB20,000,000 and the Group's equity interest in Weiqiao Haiyi was diluted from 60% to 30%. The transaction was accounted for as partial disposal of a subsidiary resulting in loss of control. The retained interest in Weiqiao Haiyi was accounted for as an associate as the Group can exercise significant influence over Weiqiao Haiyi. The partial disposal was completed on 3 December 2020. The fair value of the 30% retained interests in Weiqiao Haiyi, at the date on which control was lost were regarded as the cost in initial recognition of the Group's interests in associates. The net assets of Weiqiao Haiyi at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	11,076
Right-of-use assets	10,392
Prepayments, deposits and other receivables	2,069
Cash and cash equivalents	261
Trade payables	(187)
Other payables	(19,954)
Net assets disposed of	3,657
Gain on partial disposal of a subsidiary:	
Fair values of 30% retained equity interest held by the Group – classified as interests in associates	6,000
Net assets disposed of	(3,657)
Non-controlling interests	(937)
Gain on partial disposal of a subsidiary	1,406
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(261)

* The English name of the above company is for reference only.

49. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year ended 31 December 2019, the Group had the following changes in its ownership interest in subsidiaries that did not result in a loss of control.

Acquisition of additional interest in subsidiaries

a) In October 2019, the Group acquired an additional 40% issued shares of Shanghai Helu Equity Investment Company Limited * ("Shanghai Helu Equity Investment")上海和魯股權投資管理有限公司, increasing its ownership interest to 100%. Cash consideration of approximately RMB24,048,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Shanghai Helu Equity Investment was approximately RMB70,187,000. A schedule of the effect of acquisition of additional interest is as follow:

	2019 RMB'000
Carrying amount of non-controlling interest acquired	28,075
Consideration paid for acquisition of additional interest in Shanghai Helu Equity Investment	(24,048)
Difference recognised in capital reserve within equity	4,027

b) In September 2019, the Group acquired an additional 10% issued shares of Chongqing Weiqiao, increasing its ownership interest to 65%. Cash consideration of approximately RMB51,922,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao was approximately RMB532,700,000. A schedule of the effect of acquisition of

	2019 RMB'000
Carrying amount of non-controlling interest acquired	53,270
Consideration paid for acquisition of additional interest in Chongqing Weiqiao	(51,922)
Difference recognised in capital reserve within equity	1,348

* The English name of the above companies are for reference only

50. PLEDGE OF ASSETS

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

	2020	2019
	RMB'000	RMB'000
Restricted bank deposits (note 31)	**1,542,098**	1,423,967
Property, plant and equipment (note 16)	**12,203,099**	11,121,259
Right-of-use assets (note 17)	**293,636**	300,980

51. COMMITMENTS

	2020	2019
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**2,205,218**	2,292,296

52. 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 year, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship

52. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

i. The English names of the above companies are for reference only.

ii. As at 31 December 2020, CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, holding 877,184,826 (31 December 2019: 877,184,826) shares of the Company, representing 9.88% (31 December 2019: 10.23%) of the total issued shares of the Company as at 31 December 2020, are both indirect subsidiaries of CITIC Group Corporation. Therefore, CITIC Group Corporation is a connected person of the Group for the year ended 31 December 2019. On 2 December 2020, the Group issued 307,500,000 ordinary shares of US$0.01, therefore the shareholding of CITIC Group Corporation is below 10% and no longer be the related party of the Group since then.

iii. Mr. Zhang Bo, the director of the Company, has a significant non-controlling beneficial interest in Weiqiao Chuangye, and is also the director of Weiqiao Chuangye.

iv. Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Group.

v. On 13 December 2019, CITIC Industrial Investment Ningbo Co., Ltd (“Industrial Ningbo”), an indirect wholly-owned subsidiary of CITIC Group Corporation, entered into a share transfer agreement with an independent third party to sell 57.89% equity interest in CITIC Dicastal Co., Ltd, an immediate holding company of Caseman. Since then, Caseman was no longer being the related party to the Group.

52. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

(a) The related party transactions in respect of (a) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14A.76 of the Listing Rules.

(b) The related party transactions in respect of (b) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.

(c) For the year ended 31 December 2018, the Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2020, the carrying amount of such lease liabilities is approximately RMB43,003,000 (2019: RMB44,236,000).

(d) For the year ended 31 December 2019, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. As at 31 December 2020, the carrying amount of such lease liabilities is nil (2019: RMB1,124,000).

(e) For the year ended 31 December 2019, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. As at 31 December 2020, the carrying amount of such lease liabilities is approximately RMB7,654,000 (2019: RMB16,706,000).

(f) On 13 December 2019, Industrial Ningbo, an indirect wholly-owned subsidiary of CITIC Group Corporation, entered into a share transfer agreement with an independent third party to sell 57.89% equity interest in CITIC Dicastal Co., Ltd, an immediate holding company of Caseman. Since then, Caseman was no longer being the related party to the Group.

(g) For the year ended 31 December 2020, the Group entered into a three-year-lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB766,000 per month. As at 31 December 2020, the carrying amount of such lease liabilities is approximately RMB22,550,000 (2019: nil).

(h) The related party transactions in respect of (h) above do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

52. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The following balances were outstanding at the end of the year:

	2020 **RMB'000**	2019 RMB'000
Bank balances		
CITIC Bank (note i)	**–**	194,744
China CITIC Bank (note ii)	**–**	95,075
Bank borrowings		
CITIC Bank (notes iii and v)	**–**	(732,501)
China CITIC Bank (notes iv and v)	**–**	(6,435,000)
Loans to associate		
ABM	**717,739**	767,382
Binneng Energy	**2,000,000**	2,000,000
Trade payables		
GTS	**(84,839)**	(127,236)
Innovation Carbon New Material	**(166,424)**	(76,031)
Jinsha Water Supply	**(2,599)**	(2,624)
Weiqiao Chuangye	**(8,974)**	(11,292)
PT. Cita Mineral Investindo, Tbk.	**(30,181)**	(38,942)
Trade receivables		
Ming Hong Textile	**119**	114
Receivables from financial institution		
CITIC Trust	**–**	1,000,000
Financial assets at FVTPL		
CITIC Trust	**–**	2,005
Prepayment		
Binneng Energy	**3,617,585**	2,438,457
Contract liabilities		
Caseman (note f)	**–**	(19,928)

52. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

i. The bank balances of CITIC Bank were interest-free.

ii. The bank balances of China CITIC Bank were interest bearing at normal interest rate of 0.3% per annum for the years ended 31 December 2020 and 2019.

iii. The bank borrowings of CITIC Bank were interest bearing at normal interest rates ranged from 5.9% to 6.5% per annum for the year ended 31 December 2019.

iv. The bank borrowings of China CITIC Bank was interest bearing at normal interest rate of 4.32% to 5.25% per annum for the year ended 31 December 2019.

v. The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are fully exempt from the disclosure requirements in Chapter 14A.90 of the Listing Rules as the transaction terms are in normal commercial terms and are not secured by assets of the Group.

(b) Compensation of key management personnel

	2020 **RMB'000**	2019 RMB'000
Short term employee benefit	**4,133**	4,798
Retirement benefits scheme contributions	**20**	

53. 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 2020, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB140,341,000 (2019: RMB125,686,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

54. LITIGATION

China Sixth Metallurgical Construction Co., Ltd. * ("China Sixth Metallurgical") 中國有色金屬工業第六冶金建設有限公司, a subsidiary of China Aluminum International Engineering Corporation Limited *中鋁國際工程股份有限公司,

55. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	1 January 2020 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2020 RMB'000
Bank borrowings	32,574,477	1,827,139	–	–	(140,718)	–	34,260,898
Other borrowing	1,391,446	(1,399,600)	–	–	8,154	–	–
Lease liabilities	90,733	(35,452)	25,980	3,633	(1,205)	–	83,689
Liability component of CBs	1,150,555	–	–	143,225	(77,841)	–	1,215,939
Derivatives component of CBs							

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

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

Notes:

(i) The amounts due from subsidiaries are unsecured and repayable after one year. Except for balances of approximately RMB4,682,789,000 (2019: RMB5,915,937,000) carrying interest at fixed rate ranged from 5% to 8% (2019: 5% to 8%) per annum, the remaining balances are interest-free. The fair value of interest-free portion is estimated at approximately RMB6,056,982,000 (2019: RMB8,237,126,000) by using the effective interest rate of 4.9% per annum.

(ii) The amounts due from (to) immediate holding company / a subsidiary are unsecured, interest-free and repayable on demand.

(iii) Movement in reserves

	Share premium RMB'000	**Share reserve[1]** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2019	19,829,421	3,193,854	(4,363,074)	18,660,201
Profit and total comprehensive income for the year	–	–	1,764,729	1,764,729
Dividend paid	–	–	(1,807,631)	(1,807,631)
Share repurchase and cancelled	(517,769)	–	–	(517,769)
At 31 December 2019 and 1 January 2020	**19,311,652**	**3,193,854**	**(4,405,976)**	**18,099,530**
Loss and total comprehensive expense for the year	**–**	**–**	**(859,420)**	**(859,420)**
Dividend paid	**–**	**–**	**(3,760,997)**	**(3,760,997)**
Issue of shares upon share subscription	**1,597,426**	**–**	**–**	**1,597,426**
At 31 December 2020	**20,909,078**	**3,193,854**	**(9,026,393)**	**15,076,539**

1. Share reserve represented capitalisation of amount due to a related party in previous year.

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2020 and 2019 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2020 %	2019 %	2020 %	2019 %	2020 %	2019 %	
Zouping Huicai New Material Technology Co., Ltd. *鄒平縣匯才新材料科技有限公司	PRC	Ordinary Shares	RMB3,700,000,000	-	-	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huisheng New Material Technology Co., Ltd. *鄒平縣匯盛新材料科技有限公司	PRC	Ordinary Shares	RMB5,900,000,000	-	-	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huimao New Mateiral Technology Co., Ltd. *鄒平縣匯茂新材料科技有限公司	PRC	Ordinary Shares	RMB5,500,000,000	-	-	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Huimin Huihong New Material Co., Ltd. * 惠民縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB5,000,000,000	-	-	100	100	100	100	Manufacture and sale of aluminum products
Zhanhua Huihong New Material	PRC	Ordinary Shares	RMB3,000,000,000	-	-	100	100	100	100	Manufacture and sale of aluminum products
Yangxin New Material Co., Ltd. * 陽信縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	-	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Beihai New Material Co., Ltd. * 濱州北海匯宏新材料有限公司	PRC	Ordinary Shares	RMB3,500,000,000	-	-	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Hongnuo New Material Co. Ltd. * 濱州市宏諾新材料有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	-	100	100	100	100	Manufacture and sale of aluminum products
Shandong Hongqiao Financial Leasing Co., Ltd. *山東宏橋融資租賃有限公司	PRC	Ordinary Shares	US$200,000,000	-	-	100	100	100	100	Financial leasing
Shandong Hongfan Industrial Co., Ltd. * 山東宏帆實業有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	-	100	100	100	100	Manufacture and sale of aluminum products

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2020 %	2019 %	2020 %	2019 %	2020 %	2019 %	
Binzhou Hongzhan Aluminum Technology Co., Ltd. *濱州宏展鋁業科技有限公司	PRC	Ordinary Shares	RMB200,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zouping Hongfa Aluminum Technology Co., Ltd. *鄒平宏發鋁業科技有限公司	PRC	Ordinary Shares	RMB700,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Shandong Hongbin International Business Co., Ltd. *山東宏濱國際商貿有限公司	PRC	Ordinary Shares	RMB30,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Municipal Beihai Xinhe New Material Co., Ltd. * ("Beihai Xinhe") 濱州市北海信和新材料有限公司	PRC	Ordinary Shares	RMB2,100,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Hongchuang (Note i)	PRC	Ordinary Shares	RMB926,400,000	-	–	28.18	28.18	28.18	28.18	Manufacture and sale of aluminum products
Chongqing Weiqiao	PRC	Ordinary Shares	RMB500,000,000	-	–	65	55	65	55	Provision of financing
Yunnan Hongtai New Material Co., Ltd * 雲南宏泰新型材料有限公司	PRC	Ordinary Shares	RMB12,000,000,000	-	–	75	75	75	75	Manufacture and sale of aluminum products
Yunnan Hongqiao New Material Co., Ltd. * 雲南宏橋新型材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Shandong Weiqiao Lightweight Material Co., Ltd. *山東魏橋輕量化材料有限公司	PRC	Ordinary Shares	RMB100,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products

* For identification purpose only

Notes:

i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 28.18% equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

ii: New subsidiaries incorporated during the year

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.

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB36,120,076,000 (2019: RMB40,025,013,000) of debt securities at the end of the year:

	Total and held by third parties	
	2020	2019
	RMB'000	RMB'000
Shandong Hongqiao	**20,346,968**	24,177,708
Shandong Weiqiao	**15,773,108**	15,847,305

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

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		2020	2019
Sales of aluminum products	The PRC	**11**	14
Sales of metal products	The PRC	**1**	1
Sales of scrap materials	The PRC	**1**	1
Capital investor	The PRC	**1**	1
Various trading business	The PRC	**2**	2
Energy enhancement solution services	The PRC	**1**	1
Delivery service	The PRC	**1**	1
Reclamation and utilisation of waste	The PRC	**5**	–
Wholesale of bauxite, alumina and aluminum products	The PRC	**2**	–
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**5**	4
		33	28

57. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		(Loss) profit attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Hongchuang and its subsidiaries	PRC	**71.82%**	71.82%	**71.82%**	71.82%	**(122,450)**	196,604	**1,045,709**	1,168,159

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intergroup eliminations.

Hongchuang and its subsidiaries

	2020 RMB'000	2019 RMB'000
Current assets	**1,139,314**	1,345,512
Non-current assets	**1,268,755**	1,348,204
Current liabilities	**(939,863)**	(1,053,679)
Non-current liabilities	**(12,192)**	(13,529)
Equity attributable to owners of the Company	**410,305**	458,349
Non-controlling interest	**1,045,709**	1,168,159
Revenue	**2,367,055**	2,878,283
Expenses	**(2,537,549)**	(2,604,538)
(Loss) profit for the year	**(170,494)**	273,745
(Loss) profit attributable to owners of the Company	**(48,044)**	77,141
(Loss) profit attributable to the non-controlling interest	**(122,450)**	196,604
(Loss) profit and total comprehensive (expense) income for the year	**(170,494)**	273,745
Total comprehensive (expense) income attributable to owners of the Company	**(48,044)**	77,141
Total comprehensive (expense) income attributable to the non-controlling interest	**(122,450)**	196,604
Total comprehensive (expense) income for the year	**(170,494)**	273,745
Net cash inflows (outflows) from operating activities	**56,354**	(112,505)
Net cash (outflows) inflows from investing activities	**(67,513)**	169,851
Net cash outflows from financing activities	**(2,523)**	(18,054)
Net cash (outflows) inflows	**(13,682)**	39,292

58. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2020, the Group transferred plant and equipment and right-of-use assets of approximately RMB1,135,000 and RMB3,053,000 respectively to investment properties.

During the year ended 31 December 2020, the Group purchased a collective investment trust which issued by CITIC Trust at a consideration of RMB1,000,000,000. The consideration was settled from the receivables from financial institution which was included in prepayment and other receivables as at 31 December 2019.

During the year ended 31 December 2020, the Group recognised capital reserve of RMB300,000 which represented capital injection in an associate.

During the year ended 31 December 2020, the Group entered into new arrangement in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB25,980,000 were recognised at the commencement of the lease.

During the year ended 31 December 2019, the Group entered into new arrangements in respect of office premises, factories, crew boats, vessels and crane barges. Right-of-use assets and lease liabilities of RMB112,608,000 were recognised at the commencement of the leases.

59. EVENT AFTER THE REPORTING PERIOD

In January 2021, the Company issued a convertible bonds bearing interest at 5.25% per annum which will be due on 25 January 2026 with the aggregate principal amount of US$300,000,000 (the “2026 CBs”) which are guaranteed by certain subsidiaries of the Group. The 2026 CBs are listed on Singapore Exchange Securities Trading Limited. Further details are set out in the announcements of the Company dated 8 January 2021 and 27 January 2021.

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