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香港投資者謹請注意：發行人（定義見下文）確認債券（定義見下文）擬僅供專業投資者（定義見香港聯合交易所有限公司證券上市規則第37章）購買，並將按該基準於香港聯合交易所有限公司上市。因此，發行人確認債券不適合作為香港零售投資者之投資。投資者應審慎考慮所涉及的風險。

刊發發售通函

China Hongqiao Group Limited

中國宏橋集團有限公司

（根據開曼群島法例註冊成立的有限公司）

（股份代號：1378）

300,000,000美元於二零三零年到期的1.50厘可換股債券（「債券」）
（債券代號：5487）

全球牽頭協調人、聯席賬簿管理人及聯席牽頭經辦人

UBS 瑞銀集團

聯席全球協調人、聯席賬簿管理人及聯席牽頭經辦人
（按字母表順序）

CITIC SECURITIES　　招銀国际 CMB INTERNATIONAL　　信銀（香港）投資有限公司 CNCB (HONG KONG) INVESTMENT LIMITED

DBS　　Deutsche Bank　　Dragonstone

聯席賬簿管理人及聯席牽頭經辦人
（按字母表順序）

中銀國際 BOC INTERNATIONAL　　CICC 中金公司　　CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK　　海通國際 HAITONG

本公告乃由中國宏橋集團有限公司(「**發行人**」或「**本公司**」)根據香港聯合交易所有限公司(「**聯交所**」)證券上市規則(「**上市規則**」)第37.39A條刊發。

茲提述本公司於二零二五年三月二十六日刊發的債券於聯交所上市的通知。請參閱本公告隨附的日期為二零二五年三月二十四日內容有關300,000,000美元於二零三零年到期的1.50厘可換股債券的發售通函(「**發售通函**」)。

誠如發售通函所述,債券僅供專業投資者(定義見上市規則第37章)購買,並按該基準於聯交所上市。

發售通函並不構成向任何司法權區的公眾提呈出售任何證券的招股章程、通告、通函、宣傳冊或廣告,且並非向公眾發出邀請以就認購或購買任何證券作出要約,亦非供傳閱以邀請公眾就認購或購買任何證券作出要約。

承董事會命
中國宏橋集團有限公司
主席
張波

中國山東,
二零二五年三月二十七日

於本公告日期,本公司董事會包括十二名董事,即執行董事張波先生、鄭淑良女士、張瑞蓮女士及王雨婷女士,非執行董事楊叢森先生、張敬雷先生、田明明先生(張浩先生為其替任董事)及孫冬冬女士,以及獨立非執行董事文献軍先生、韓本文先生、董新義先生及傅郁林女士。

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE PERSONS OR ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to this Offering Circular (the "**Offering Circular**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing the Offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from China Hongqiao Group Limited 中國宏橋集團有限公司 (the "**Company**" or the "**Issuer**") as a result of such access.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Confirmation and Your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be persons outside the United States. By accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us and UBS AG Hong Kong Branch, CLSA Limited, CMB International Capital Limited, CNCB (Hong Kong) Capital Limited, DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, Dragonstone Capital Management Limited, BOCI Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Crédit Agricole Corporate and Investment Bank and Haitong International Securities Company Limited (the "**Joint Lead Managers**") that (i) you and any customers you represent are persons outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States; and (ii) that you consent to delivery of such Offering Circular by electronic transmission.

The communication of the attached Offering Circular and any other document or materials relating to the issue of the securities described therein is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended ("**FSMA**"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), or within Article 49(2)(a) to (d) of the Financial Promotion Order, or to any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "**relevant persons**"). In the United Kingdom, the securities described in the attached Offering Circular are only available to, and any investment or investment activity to which the attached Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on the attached Offering Circular or any of its contents.

Restrictions: The attached document is an Offering Circular and is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein.

The materials relating to the offering contemplated under the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company, the Joint Lead Managers, the Trustee (as defined herein), the Agents (as defined in the Conditions) or any of their respective directors, employees, representatives, agents, advisers, officers or affiliates, or any person who controls any of them, accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Joint Lead Managers will provide a hard copy version to you upon request.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Company of the securities or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or solicitation in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers and their affiliates on behalf of the Company in such jurisdiction.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of this Offering Circular to any other person.

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CHINA HONGQIAO GROUP LIMITED
中國宏橋集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1378)

US$300,000,000 1.50 per cent. Convertible Bonds due 2030
Issue Price: 100 per cent.

The US$300,000,000 1.50 per cent. convertible bonds due 2030 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with the terms and conditions of the Bonds set out in "*Terms and Conditions of the Bonds*" (the "**Conditions**" and each of the Conditions, a "**Condition**") and consolidated and forming a single series therewith) will be issued by China Hongqiao Group Limited 中國宏橋集團有限公司 (the "**Company**", or the "**Issuer**") on or about 26 March 2025 (the "**Issue Date**"). The due payment of all sums expressed to be payable by the Company under the Bonds and the Trust Deed (as defined in the Conditions) have been, jointly and severally, unconditionally and irrevocably guaranteed (the "**Subsidiary Guarantee**") on a senior basis by certain of the existing subsidiaries of the Company organized outside of the PRC as defined in Condition 1(B) (*Status of the Subsidiary Guarantee; Future Subsidiary Guarantors*) of the Conditions (the "**Subsidiary Guarantors**"). The issue price of the Bonds shall be 100 per cent. of the aggregate principal amount of the Bonds and the denomination of each Bond shall be US$200,000 each and integral multiples of US$200,000 in excess thereof.

The Bonds will, upon issue, constitute direct, unsubordinated, unconditional and (subject to Condition 4(A) *(Negative Pledge)* of the Conditions) 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 Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A) *(Negative Pledge)* of the Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

The Bonds bear interest on their outstanding principal amount from and including 26 March 2025 at the rate of 1.5 per cent. per annum, payable semi-annually in arrear on 26 March and 26 September of each year beginning on 26 September 2025.

Subject as provided in the Conditions, each Bondholder (as defined in the Conditions) will have the right to convert any Bonds held by it into ordinary shares of par value US$0.01 each in the share capital of the Company (the "**Shares**") at any time during the Conversion Period (as defined in the Conditions) (the "**Conversion Rights**"). The price at which the Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK$20.88 per Share. Subject to and upon compliance with the Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time on or after 26 March 2028 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the tenth day prior to 26 March 2030 (the "**Maturity Date**", or "**Stated Maturity of the Bonds**") (both days inclusive) (but, except as provided in the Conditions in no event thereafter) or, if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof (the "**Conversion Period**"). See "*Terms and Conditions of the Bonds – Conversion – Conversion Right*". The Closing Price (as defined in the Conditions) of the Shares on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 17 March 2025 was HK$15.10 per Share.

Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Company will redeem each Bond at 100 per cent. of its principal amount together with accrued and unpaid interest thereon on the Maturity Date. On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders (which notice will be irrevocable), the Trustee and the Agents, the Company may at any time redeem all but not some only of the Bonds for the time being outstanding at the principal amount together with interest accrued but unpaid up to but excluding the date fixed for redemption: (i) at any time after 9 April 2028, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate (as defined in the Conditions)) for 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date of the Optional Redemption Notice, was at least 125 per cent. of the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Conditions)) then applicable, or (ii) at any time, if prior to the date the Optional Redemption Notice is given, at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 15 and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled. The Company will, at the option of the holder of any Bond, redeem all or some only of such holders' Bonds on 26 March 2028 (the "**Put Option Date**") at a price equal to 100 per cent. of the principal amount thereof, together with accrued and unpaid interest up to but excluding the Put Option Date. Following the occurrence of a Relevant Event (as defined in the Conditions), the holder of each Bond will have the right at such holder's option, to require the Company to redeem all, or some only, of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at a price equal to their principal amount, together with interest accrued and unpaid up to but excluding the date fixed for redemption. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation*".

For a detailed description of the Bonds, see *"Terms and Conditions of the Bonds"*.

Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) (the "**Professional Investors**") only. This document is for distribution to professional investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Subsidiary Guarantors or the Group (as defined below) or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The Bonds are not intended to be initially placed and may not be initially placed to "connected persons" of the Company as defined in the Listing Rules ("**Connected Persons**"). Each holder of the Bonds (and the beneficial owners of the Bonds, if applicable) will be deemed to have represented to the Company and that it is not a Connected Person of the Company and will not after completion of the subscription of the Bonds be a Connected Person of the Company. Each prospective investor will be deemed to have agreed with the Company and the Joint Lead Managers (as defined below) that it may, to the extent required by the Listing Rules and/or the Hong Kong Stock Exchange and/or the Hong Kong Securities and Futures Commission (the "**SFC**"), disclose information about such potential investor (including but not limited to its name, company registration number and the number of Bonds allotted to it) to certain parties.

Investing in the Bonds and the Shares involves certain risks. Investors should be aware that there are risks relating to the exercise of Conversion Right of the Bonds, and there are various other risks relating to the Bonds, the Issuer or the Group (as defined in the Conditions), their business and their jurisdiction of operations which investors should familiarise themselves with before making an investment in the Bonds and the Shares. See "*Risk Factors*" beginning on page 19 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Shares to be issued upon conversion of the Bonds may only be offered outside the United Sates in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Company has made an application for the pre-issuance registration (the "**Pre-Issuance Registration**") in relation to the Bonds with the National Development and Reform Commission (the "**NDRC**") in accordance with the Administration Measures for the Examination and Registration of Medium and Long-term Foreign Debt of Enterprises (Order No. 56 of the NDRC)(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號))("**Order 56**") issued by the NDRC with effect from 10 February 2023. The Company has received the Enterprise Foreign Debt Review and Registration Certificate(企業借用外債審核登記證明)dated 4 June 2024 in respect of, among other things, the issue of the Bonds from the NDRC in connection with the Pre-Issuance Registration. The Company undertakes that it will (i) file or cause to be filed with the China Securities Regulatory Commission of the PRC(the "**CSRC**") within the relevant prescribed timeframes after the Closing Date the requisite information and documents in respect of the Bonds and comply with other reporting obligations in accordance with the Order 56 issued by the NDRC and which came into effect on 10 February 2023, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, including but not limited to, the Initial NDRC Post-Issuance Filing (as defined in the Conditions); (ii) file or cause to be filed with the CSRC within the relevant prescribed timeframes after the Issue Date the requisite information and documents in respect of the Bonds and comply with the continuing obligations in accordance with the CSRC Filing Rules (as defined in the Conditions) and any implementation rules, reports, certificates, approvals or guidelines as issued by the CSRC from time to time, including but not limited to the Initial CSRC Post-Issuance Filing (as defined in the Conditions); and (iii) comply with all applicable PRC laws and regulations in connection with the Bonds, including but not limited to the Order 56, the CSRC Filing Rules and any implementation rules, reports, certificates, approvals or guidelines promulgated thereunder from time to time.

The Bonds will initially be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**", and together with Euroclear, the "**Clearing Systems**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Lead Global Coordinator, Joint Bookrunner and Joint Lead Manager

UBS

Joint Global Coordinator, Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

CITIC Securities	**CMB International Capital Limited**	**CNCB Capital**
DBS Bank Ltd.	**Deutsche Bank**	**Dragonstone Capital**

Joint Bookrunners and Joint Lead Managers
(in alphabetical order)

BOC International	**China International Capital Corporation**	**Crédit Agricole CIB**	**Haitong International**

Offering Circular dated 24 March 2025.

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NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING CIRCULAR IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This Offering Circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company, the Subsidiary Guarantors, the Group and the Bonds. Each of the Issuer and the Subsidiary Guarantors accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquires, that to the best of its or their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

The Company and the Subsidiary Guarantors having made all reasonable enquiries confirm that (i) this Offering Circular contains all information with respect to the Company, the Subsidiary Guarantors and its or their respective subsidiaries taken as a whole (collectively, the "**Group**"), and to the Shares and the Bonds which is material in the context of the issue and offering of the Bonds (including any information (if any) which is required by applicable laws of the PRC, Hong Kong, Cayman Islands and British Virgin Islands and the Hong Kong Stock Exchange and according to the particular nature of the Company, the Bonds, the Subsidiary Guarantees and the Shares, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses of the Company and of the rights attaching to the Bonds, the Subsidiary Guarantees and the Shares), (ii) the statements contained in it relating to the Company, the Subsidiary Guarantors and to the Group are in every material respect true and accurate and not misleading in light of the circumstances under which they are made, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Company, the Subsidiary Guarantors and to the Group, 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 the Company, the Subsidiary Guarantors, the Group or the Bonds, the Subsidiary Guarantees or the Shares, the omission of which would, in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading in any material respect in light of the circumstances under which they are made, (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular, and (vi) this Offering Circular does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they are made, not misleading. Where information contained in this Offering Circular includes extracts from summaries of information and data from various published and private sources, such statistical, industry and market-related data included in this Offering Circular is based on or derived from sources which the Company believes are accurate and reliable in all material aspects.

This Offering Circular is highly confidential. The Company and the Subsidiary Guarantors are providing it solely for the purpose of enabling the investors to consider a purchase of the Bonds. Investors should read this Offering Circular before making a decision whether to purchase the Bonds. Investors must not use this Offering Circular for any other purpose, or disclose any information in this Offering Circular to any other person.

This Offering Circular has been prepared by the Company solely for use in connection with the proposed offering of the Bonds, including the Subsidiary Guarantees, described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds, including the Subsidiary Guarantees, in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the Shares deliverable upon conversion of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Shares deliverable upon conversion of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds, including the Subsidiary Guarantees, and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorized to give any information or to make any representation concerning the Company, the Group, the Bonds, the Shares or the Subsidiary Guarantees other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, UBS AG Hong Kong Branch, CLSA Limited, CMB International Capital Limited, CNCB (Hong Kong) Capital Limited, DBS Bank Ltd., Deutsche Bank AG, Hong Kong Branch, Dragonstone Capital Management Limited, BOCI Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Crédit Agricole Corporate and Investment Bank and Haitong International Securities Company Limited (collectively, the "**Joint Lead Managers**"), The Bank of New York Mellon, London Branch, as the trustee (the "**Trustee**") or the Agents (as defined in the Conditions) or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful. This Offering Circular is not intended to invite offers to subscribe for or purchase Shares.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them has independently verified any of the information contained in this Offering Circular and none of them can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds.

Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Company, the Group and the terms of the Offering, including the merits and risks involved. See *"Risk Factors"* for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them accepts any responsibility for the contents of this Offering Circular. Each of the Joint Lead Managers, the Trustee and the Agents and each of their respective directors, officers, employees, agents, representatives, advisers and affiliates and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them undertakes to review the financial condition or affairs of the Company or the Group after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them.

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of Hong Kong or any other jurisdiction have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Company, the Trustee, the Agents or the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them, and none of the Company, the Trustee, the Agents, the Joint Lead Managers or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

We reserve the right to withdraw the offering of the Bonds at any time, and the Joint Lead Managers reserve the right to reject any commitment to subscribe for the Bonds in whole or in part and to allot to any prospective purchaser less than the full amount of the Bonds sought by such purchaser. The Joint Lead Managers and certain related entities may acquire for their own account a portion of the Bonds.

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Bonds 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 European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Bonds 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 United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, 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 domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Singapore SFA Product Classification *– In connection with Section 309B of the Securities and Futures Act 2001 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), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and are Exclude 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).*

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Managers, are "capital market intermediaries" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors.

Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, the Subsidiary Guarantors, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Company, the Subsidiary Guarantors, the CMI or the relevant group company. Prospective investors associated with the Company, any of the Subsidiary Guarantors, or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their

Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Company, any Subsidiary Guarantors, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. All references to "we," "us," "our Company", the "Company", the "Issuer" and "Group" refer to China Hongqiao Group Limited 中國宏橋集團有限公司 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.

Solely for your convenience, this Offering Circular contains translations of Renminbi amounts into U.S. dollars at specified rates. Unless we indicate otherwise, translations of Renminbi into U.S. dollars have been made at the rate of RMB7.2672 to US$1.00 (the noon buying rate in New York City on 28 June 2024 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rates is set forth in "*Exchange Rate Information*" in this Offering Circular. All such translations in this Offering Circular are provided solely for your convenience and we make no representation that Renminbi or U.S. dollar amounts referred to herein have been, could have been or could be converted into U.S. dollar or Renminbi, or vice versa, at such rate or at any other rate on such data or on any other date or at all. Certain financial amounts presented in this Offering Circular may not correspond to the financial statements included elsewhere in this Offering Circular or may not add up due to rounding. For further information relating to the exchange rates, see "*Exchange Rate Information*" in this Offering Circular.

Our financial information is prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**"), which differ in certain respects from generally accepted accounting principals ("**GAAP**") in certain countries, including the United States, which might be material to the financial information herein. We have made no attempt to quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of us, the terms of the offering and the financial information. Potential investors should consult their own professional advisers for an understanding of the differences between IFRS and GAAP and how those differences might affect the financial information herein.

Market data and certain industry forecast and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them and none of the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name shall prevail.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes certain statements that are, or may be deemed to be, "forward-looking statements." All statements other than statements of historical facts contained in this Offering Circular, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to successfully implement our business plan and strategies;
- PRC government policies and the regulatory framework for the PRC aluminum industry;
- future developments and other trends in the global and the PRC aluminum industry;
- cost, fluctuations in the price and availability of materials required for our Group's production of aluminum products;
- changes to our expansion plans and estimated capital expenditures;
- our operations and business prospects;
- various business opportunities we may pursue;
- our financial condition and performance;
- the actions and developments of our competitors;
- our dividend policy;
- general political and economic conditions, including those related to the PRC;
- exchange rate fluctuations and developments in the legal system, in each case pertaining to the PRC and the industry and markets in which we operate;
- regulations and restrictions, including tariffs and environmental regulations;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- other factors discussed in the sections headed "Risk Factors" and "Business."

Forward-looking statements may and often do differ materially from actual results. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Offering Circular and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to our Group's business. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set out in this section.

PRESENTATION OF FINANCIAL INFORMATION

Our financial information is prepared and presented in accordance with International Financial Reporting Standards ("**IFRS**"), which differ in certain material respects from generally accepted accounting principles in other jurisdictions. Our reporting currency is the Renminbi. See "*Risk factors – Risks relating to the Bonds and the Shares – There may be less publicly available information about us than is available in certain other jurisdictions*".

DEFINITIONS

In this Offering Circular, 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 30 October 2017 and 14 November 2017.
"Aluminum & Power" . . .	山東魏橋鋁電有限公司 (Shandong Weiqiao Aluminum and Power Co., Ltd.), a limited liability company incorporated under the laws of the PRC on 25 December 2002 and an indirect subsidiary of our Company.
"Antaike"	北京安泰科信息股份有限公司 (Beijing Antaike Information 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 28 February 2017 after Ernst & Young carried out additional audit procedures for the year ended 31 December 2016.
"Board of Directors" or "Board".	Our board of Directors.
"BVI".	The British Virgin Islands.
"CAGR"	Acronym for compound annual growth rate.
"Chuangye Group"	山東魏橋創業集團有限公司 (Shandong Weiqiao Chuangye Group Company Limited), a limited liability company established under the laws of the PRC on 14 April 1998, the name of which was changed in 2003 from 山東魏橋紡織集團有限公司 (Shandong Weiqiao Textile Group Company Limited), a limited liability company converted from its predecessor, 鄒平縣位橋棉紡織廠 (Zouping County Weiqiao Cotton Spinning Factory). As of 31 December 2023, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong, together with their family members, in aggregate held approximately 36.70% of the equity interest in Chuangye Group.
"Company", the "Issuer" or "our Company"	China Hongqiao Group Limited 中國宏橋集團有限公司, a company incorporated on 9 February 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 Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong (who are acting in concert), Shiping Prosperity Private Trust Company, and Hongqiao Holdings who in aggregate control the exercise of approximately 64.44% of the voting rights in a general meeting of our Company as of the date of this Offering Circular.
"CSRC"	China Securities Regulatory Commission of the PRC.

"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 16 March 2007, which took effect on 1 January 2008, as amended, supplemented and otherwise modified from time to time.
"First 2017 Negative Report"	The negative report against our Company published by Emerson Analytics Co. Ltd. dated 28 February 2017.
"Gaoxin".	濱州高新鋁電股份有限公司 (Binzhou Gaoxin Aluminum & Power Joint Stock Co., Ltd.), formerly known as 鄒平高新熱電有限公司 (Zouping Gaoxin Power Co., Ltd.), a joint stock company incorporated under the laws of the PRC on 24 January 2007, which is an independent third party.
"Group", "our Group", "we" or "us"	Our Company and the subsidiaries or any of them, or where the context requires, in respect of the period before our Company became a holding company of the present subsidiaries, the present subsidiaries of our Company.
"Guinea".	The Republic of Guinea.
"Hong Kong" or "HK" . .	The Hong Kong Special Administrative Region of the PRC.
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited.
"Hongqiao Holdings" . . .	China Hongqiao Holdings Limited 中國宏橋控股有限公司, a company incorporated in the BVI with limited liability on 5 February 2010 and one of the Controlling Shareholders of our Company.
"Hongqiao Hong Kong" .	Hongqiao Investment (Hong Kong) Limited 宏橋投資(香港)有限公司, a company incorporated in Hong Kong with limited liability on 18 February 2010 and an indirect wholly-owned subsidiary of our Company.
"Hongqiao Investment" . .	China Hongqiao Investment Limited 中國宏橋投資有限公司, a company incorporated in the BVI with limited liability on 5 February 2010 and a direct wholly-owned subsidiary.
"Hongqiao Trading"	Hongqiao (HK) International Trading Limited 宏橋(香港)國際貿易有限公司, previously known as Hongqiao International Trading Limited 宏橋國際貿易有限公司, a company incorporated in Hong Kong with limited liability on 11 April 2012 and an indirect wholly-owned subsidiary of our Company.
"Hongtuo Industrial". . . .	山東宏拓實業有限公司 (Shandong Hongtuo Industrial Company Limited), a limited liability company, which was established in the PRC on 17 November 2016 and is an indirect subsidiary of our Company
"Huimin Huihong"	惠民縣匯宏新材料有限公司 (Huimin County Huihong New Materials Co., Ltd.), a limited liability company established under the laws of the PRC on 6 December 2011 and an indirect subsidiary of our Company.

"Indonesia"	The Republic of Indonesia.
"Indonesian Alumina Joint Venture Company". . . .	PT. Well Harvest Winning Alumina Refinery, a limited liability company established and existing under the laws of Indonesia and domiciled in Central Jakarta pursuant to a joint venture agreement entered into on 27 December 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.
"January 2021 CB".	The US$300,000,000 5.25% convertible bonds due 2026 issued by the Company on 25 January 2021.
"January 2025 Notes" . . .	The 7.05% senior notes issued by the Company on 10 January 2025 in the aggregate principal amount of US$330,000,000, which will mature on 10 January 2028.
"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.
"March 2024 Notes"	The 7.75% senior notes issued by the Company on 28 March 2024 in the aggregate principal amount of US$300,000,000, which will mature on 27 March 2025.
"Ms. Zheng"	鄭淑良, Ms. Zheng Shuliang, the wife of the late Mr. Zhang Shiping, 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會或其地方分支機構 (National Development and Reform Commission of the PRC or its local counterparts).
"Negative Reports".	2016 Negative Report and 2017 Negative Reports.
"People's Congress"	The PRC's legislative apparatus, including the National People's Congress of the PRC and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them.
"PRC government" or "State".	The government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities).
"PT. Cita"	PT. Cita Mineral Investindo Tbk., a company duly organized and existing under the laws of Indonesia.
"PT. Danpac".	PT. Danpac Resources Kalbar, a company duly organized and existing under the laws of Indonesia.

"PT. Well Harvest Winning Alumina Refinery"	PT. Well Harvest Winning Alumina Refinery, a limited liability company established and existing under the laws of Indonesia and domiciled in Central Jakarta.
"SAFE"	中華人民共和國國家外匯管理局 (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 time.
"Shandong Hongqiao"	山東宏橋新型材料有限公司 (Shandong Hongqiao New Material Co., Ltd., previously known as 山東位橋染織有限公司 (Shandong Weiqiao Dyeing Company Limited)), a limited liability company established in the PRC on 27 July 1994 and an indirect subsidiary of our Company.
"Share(s)"	Ordinary share(s) with a nominal or par value of US$0.01 each in the share capital of our Company.
"Shareholder(s)"	Holder(s) of our Shares.
"State Council"	中華人民共和國國務院 (State Council of the PRC).
"United States" or "U.S."	The United States of America, including the District of Columbia, its territories and possessions.
"Securities Act"	The U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
"VAT"	Value-added tax; all amounts are exclusive of VAT in this Offering Circular except as indicated otherwise.
"Winning Investment"	Winning Investment (HK) Company Limited, a company duly organized and existing under the laws of Hong Kong.
"Zhengtong"	濱州市政通新型鋁材有限公司 (Binzhou Zhengtong New Aluminum Profiles Co., Ltd.), a limited liability company, which was established in the PRC on 20 May 2008 and is an indirect subsidiary of our Company.
"%"	Per cent.

GLOSSARY

This glossary contains explanations of certain technical terms and abbreviations used in this Offering Circular that are in connection with our Group and its business. The terms and their assigned meanings may not, however, correspond to standard industry meaning or usage of those terms, as the terms may be.

"alloy"	A composite metal formed by fusing two or more metals and, occasionally, other materials.
"alumina (氧化鋁)"	Aluminum oxide, the immediate raw material of producing aluminum.
"aluminum alloy (鋁合金)".	One type of alloy, the major component of which is aluminum.
"aluminum fabrication products (鋁型材產品)"	Aluminum products obtained through further processing of primary aluminum for application in end-use market.
"anode".	A positive electrode which attracts chemicals carrying negative electricity.
"average utilization hours"	For a specified period, the amount of electricity produced in such period (in MWh) divided by the average installed capacity in such period.
"coal fly ash".	the lightweight particles captured in the exhaust gas.
"electrolytic aluminum (電解鋁)".	Pure aluminum produced from alumina through an electrolytic reduction process.
"ISO"	International Organization for Standardization.
"kA".	Kiloamperes, equal to 1,000 amperes, a unit of electric current flow.
"kWh"	Kilowatt hours, a unit for measuring the quantity of electrical power produced or consumed, meaning one kilowatt of power for one hour.
"MW".	Megawatt, a unit for measuring the rate at which electrical power is produced or consumed, equivalent to one thousand kilowatts.
"smelting (熔煉)".	The electrolytic reduction process required to produce molten aluminum from alumina.
"sq.m."	Square meter.
"ton"	The metric ton, a unit of weight, with one metric ton equal to 1,000 kilograms or 2,204.6 pounds.
"utilization rate".	Utilization rate is calculated by dividing the production volume for the relevant year by the weighted average annual production capacity as of the end of the relevant year. With respect to production capacity, a 100% utilization rate assumes a constant electric current efficiency and a constant quality of voltage. If the electric current efficiency or the quality of voltage improves, the actual utilization rate may exceed 100%.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire Offering Circular, including the section entitled "Risk Factors" and our consolidated financial statements and related notes thereto, before making an investment decision.

Overview

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of 30 June 2024, we were the second largest aluminum manufacturer 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. We are connected to other major manufacturing bases of downstream aluminum fabrication products, such as Henan Province, Liaoning Province and Jiangsu Province, and major alumina manufacturing bases and coal resources in Shandong Province, Shanxi Province and Henan Province, through developed transportation networks.

Our aluminum products 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 also actively expand the manufacture business for lightweight materials and secondary aluminum in recent years. We completed our installation of the first aluminum recycling production line in 2021. Our other products include alumina and steam. We currently have twelve manufacturing bases, located in Indonesia as well as in Wenshan, Honghe, Weihai, Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Boxing, Yangxin and Huimin of the PRC, respectively. Our annual production capacity of aluminum products was approximately 6.46 million tons as of 30 June 2024 with utilization rates of approximately 99.7% for the six months ended 30 June 2024.

Our sales volume of aluminum products remained stable in the past three years. We sold approximately 5.7 million tons, 6.1 million tons, 6.3 million tons, 3.1 million tons and 3.2 million tons of aluminum products and generated revenue of approximately RMB96,836.9 million, RMB109,529.3 million, RMB106,141.3 million (US$14,605.5 million), RMB51,623.8 million and RMB56,893.6 million (US$7,828.8 million) from sales of aluminum products for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. During the same respective periods, we achieved net profit of approximately RMB16,848.8 million, RMB9,809.0 million, RMB12,497.8 million (US$1,719.7 million), RMB2,972.0 million and RMB10,007.9 million (US$1,377.1 million), respectively.

Our Competitive Strengths

We believe that our success and future prospects are supported by a combination of the following key competitive strengths:

- Established market position in the Chinese aluminum industry with solid growth profile and sustainable profitability;
- Vertically integrated business model providing significant cost advantages;

- Strategic location benefitting from a symbiotic relationship within the end-to-end aluminum industry cluster;
- Efficient and advanced production facilities;
- Sustainable and green production and development;
- 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:

- Further enhance vertical integration to capture additional cost advantages and further strengthen our competitiveness in the market;
- Enhance product research and development capacities; and
- Increase our marketing and sale efforts.

Recent Developments

See "Recent Developments" section for our audited consolidated financial statements for the year ended 31 December 2024 which are extracted from the announcement of annual results for the year ended 31 December 2024 filed with the Hong Kong Stock Exchange on 14 March 2025 and other recent developments of our Company.

THE OFFERING

The following summary contains basic information about the Bonds and is not intended to be complete. It does not contain all the information that is important to investors. The full Conditions are set out in the section of this Offering Circular entitled "Terms and Conditions of the Bonds." Capitalized terms used in this summary and not otherwise defined shall have the meaning given to them in the Conditions.

Issuer	China Hongqiao Group Limited 中國宏橋集團有限公司 (the "**Company**").
Issue	US$300,000,000 1.5 per cent. Convertible Bonds due 2030 convertible at the option of the holder thereof into fully paid ordinary shares of the Company.
Shares	Ordinary shares of nominal or par value US$0.01 each of the Company.
Issue Price	100 per cent. of the principal amount of the Bonds.
Form and Denomination of the Bonds	The Bonds will be issued in registered form in the denomination of US$200,000 and integral multiples of US$200,000 in excess thereof.
Interest	The Bonds bear interest on their outstanding principal amount from and including 26 March 2025 at the rate of 1.5 per cent. per annum, payable semi-annually in arrear on 26 March and 26 September of each year beginning on 26 September 2025.
Issue Date	26 March 2025.
Maturity Date or Stated Maturity of the Bonds .	26 March 2030.
Negative Pledge	So long as any Bond remains outstanding (as defined in the Trust Deed), the Company will not, and will ensure that none of its Subsidiaries (as defined in the Conditions) will, create or have outstanding, any Encumbrance (as defined in the Conditions) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined in the Conditions), or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders. See "*Terms and Conditions of the Bonds – Negative Pledge and Other Covenants – Negative Pledge*".
Status of the Bonds	The Bonds shall constitute direct, unsubordinated, unconditional and (subject to Condition 4(A) *(Negative Pledge)* of the Conditions) 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 Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A) *(Negative Pledge)* of the Conditions, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. See "*Terms and Conditions of the Bonds – Status – (A) Status of the Bonds*".

Description of Subsidiary Guarantees	The Subsidiary Guarantors have, jointly and severally, unconditionally and irrevocably guaranteed on a senior basis the due payment of all sums expressed to be payable by the Company under the Bonds and the Trust Deed.
Status of the Subsidiary Guarantees	The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(A) *(Negative Pledge)* of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. See "*Terms and Conditions of the Bonds – Status – (B) the Subsidiary Guarantees; Future Subsidiary Guarantors*".
Subsidiary Guarantors . .	The initial Subsidiary Guarantors that will execute the Trust Deed on the Issue Date will consist of China Hongqiao Investment Limited 中國宏橋投資有限公司, Hongqiao Investment (Hong Kong) Limited 宏橋投資(香港)有限公司 and Hongqiao (HK) International Trading Limited 宏橋(香港)國際貿易有限公司.
Taxation	All payments of principal of, and premium (if any) and interest on, the Bonds or under the Subsidiary Guarantees will be made without set-off or counterclaim and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any Relevant Taxing Jurisdiction (as defined in Condition 9 (*Taxation*) of the Conditions) or any Relevant Jurisdiction (as defined in Condition 9 (*Taxation*) of the Conditions), unless such set-off, counterclaim, withholding or deduction is required by law or by regulation or governmental policy having the force of law. See "*Terms and Conditions of the Bonds – Taxation*" for further details.
Conversion Right and Period	Subject to the right of the Company as further provided in the Conditions, Bondholders have the right to convert their Bonds into Shares (as defined in the Conditions) at any time during the Conversion Period (the "**Conversion Right**"). Subject to and upon compliance with the Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time on or after 26 March 2028 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the tenth day prior to the Stated Maturity (both days inclusive) (but, except as provided in the Conditions in no event thereafter) or, if such Bond shall have been called for redemption by the Company before the Stated Maturity, then up to the close of business (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof (the "**Conversion Period**"). See "*Terms and Conditions of the Bonds – Conversion – Conversion Right*".
Conversion Price	The price at which Shares will be issued upon exercise of a Conversion Right (the "**Conversion Price**") will initially be HK$20.88 per Share, but will be subject to adjustments provided in Condition 6(C) of the Conditions. See "*Terms and Conditions of the Bonds – Conversion – Adjustments to Conversion Price*" and "*Terms and Conditions of the Bonds – Conversion – Adjustment upon Change of Control*".

Final Redemption	Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Company will redeem each Bond at 100 per cent. of its principal amount together with accrued and unpaid interest thereon on 26 March 2030. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Maturity*".
Redemption for Taxation Reasons	The Company may redeem all but not some only of the Bonds, at its option, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders (which notice shall be irrevocable) and to the Trustee and the Agents, at a redemption price equal to 100 per cent. of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts (as defined in the Conditions)), if any, to but excluding the date fixed by the Company for redemption. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Taxation Reasons*".
Redemption at the Option of the Issuer	On giving an Optional Redemption Notice to the Bondholders (which notice will be irrevocable), the Trustee and the Agents, the Company may at any time redeem all but not some only of the Bonds for the time being outstanding at the principal amount together with interest accrued but unpaid up to but excluding the date fixed for redemption: (i) at any time after 9 April 2028, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate) for 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date of the Optional Redemption Notice, was at least 125 per cent. of the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate) then applicable, or (ii) at any time, if prior to the date the Optional Redemption Notice is given, at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 15 (*Further Issues*) of the Conditions and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled. See "Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the Option of the Issuer".
Redemption at the option of the Bondholders . . .	The Company will, at the option of the holder of any Bond, redeem all or some only of such holders' Bonds on 26 March 2028 (the "**Put Option Date**") at a price equal to 100 per cent. of the principal amount thereof, together with accrued and unpaid interest up to but excluding the Put Option Date. To exercise such option, the holder must deposit at the specified office of any Paying Agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the option of the Bondholders*".

Redemption for Delisting or Change of Control . Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Company to redeem all, or some only, of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at a price equal to their principal amount, together with interest accrued and unpaid up to but excluding the date fixed for redemption.

A "**Relevant Event**" occurs:

(i) when the Shares cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or

(ii) when there is a Change of Control (as defined in the Conditions).

See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Delisting or Change of Control*".

Company and Shareholders Lock-up . The Company and the Subsidiary Guarantors have agreed in the Subscription Agreement that none of the Company, any of the Subsidiary Guarantors, or any person acting on their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any debt securities with covenants, or any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers (whose consent shall not be unreasonably withheld or delayed), between the date hereof and the date which is 90 days after the Issue Date (both dates inclusive); except for (i) the Bonds and new Shares issued on conversion of the Bonds and (ii) any shares issued on conversion of the January 2021 CB.

Cross Default.	The Bonds may be immediately due and repayable at the principal amount together with accrued and unpaid interest (subject as provided in accordance with the Conditions) if, there occurs with respect to any Indebtedness (as defined in the Conditions) of the Company or any Restricted Subsidiary having an outstanding principal amount of US$50 million (or the Dollar Equivalent (as defined in the Conditions) thereof) or more in the aggregate for all such Indebtedness of all such Persons (as defined in the Conditions), whether such Indebtedness now exists or shall hereafter be created, (1) an event of default that has caused any holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity (as defined in the Conditions) and/or (2) the failure to make a principal payment when due. See *"Terms and Conditions of the Bonds – Events of Default"*.
Further Issues	The Company may, from time to time without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price and the first payment of interest on them, the post-issue filing with the NDRC and CSRC and to the extent necessary, certain temporary securities law transfer restrictions) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further Bonds may be constituted by a deed supplemental to the Trust Deed. See "*Terms and Conditions of the Bonds – Further Issues*".
Clearing	The Bonds will be cleared through Euroclear and Clearstream. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders.
Governing Law	The Bonds, the Trust Deed, the Agency Agreement, and any non-contractual obligations arising out of or in connection with them will be governed by and will be construed in accordance with English law.
Legal Entity Identifier . .	3003009Q4IBFSDE24571.
ISIN/Common Code	XS3031464400/303146440.
Listing	Application will be made to the Hong Kong Stock Exchange for (i) the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only; and (ii) the listing of, and permission to deal in, the Shares issuable on conversion, and it is expected that permission to deal in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence 27 March 2025.
Trustee	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent.	The Bank of New York Mellon SA/NV, Dublin Branch.
Principal Agent	The Bank of New York Mellon, London Branch.

Rating of the Bonds	The Bonds are not, and are not expected to be, rated by any rating agency.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Bonds in, among others, the United States, the United Kingdom, Hong Kong, Singapore, Japan, the PRC, EEA, the Cayman Islands and the British Virgin Islands. For a description of the selling restrictions on offers, sales and deliveries of the Bonds, see "*Subscription and Sale*".
Global Certificate	For as long as the Bonds are represented by the Global Certificate and the Global Certificate is deposited with a common depositary for Euroclear and Clearstream, payments of principal in respect of the Bonds represented by the Global Certificate will be made without presentation and, if no further payment falls to be made in respect of the Bonds, against surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to Bondholders for such purpose. The Bonds which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of the relevant Clearing System.
Use of Proceeds	We intend to use the net proceeds from this Offering, after deducting the underwriting discount and other estimated expenses payable by us, for refinancing of certain existing indebtedness, capital expenditure and general corporate purposes.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see "*Risk Factors*".

Note:

Concurrent with the issue of the Bonds, the Joint Lead Managers will conduct a delta placement of the shares of the Company to facilitate hedging for the investors participating in the offering (the "**Delta Placement**").

As part of the Delta Placement, the Issuer will conduct a concurrent repurchase of up to approximately HK$300 million of the shares of the Company at the clearing price of the Delta Placement.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of our Group. We have derived the following summary consolidated financial information as of and for the three years ended 31 December 2021, 2022 and 2023 from our audited consolidated financial statements for each of the fiscal years ended and as of 31 December 2022 and 2023, which have been audited by SHINEWING (HK) CPA Limited, and are included elsewhere in this Offering Circular. Our interim financial information as of and for the six months ended 30 June 2023 and 2024 has been derived from our interim condensed consolidated financial information as of and for the six months ended 30 June 2024, which has been reviewed by SHINEWING (HK) CPA Limited, and are included elsewhere in this Offering Circular. These have been prepared in accordance with IFRS, which differs in certain material respects from U.S. GAAP and the generally accepted accounting principles of other jurisdictions. You should read the summary financial information below in conjunction with our consolidated financial statements. Historical results are not necessarily indicative of results that may be achieved in the future.

Consolidated Statements of Comprehensive Income

	For the year ended 31 December				For the six months ended 30 June		
	2021	2022	2023		2023	2024	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(in thousands, except percentages)						
Revenue	114,490,941	131,699,427	133,623,632	18,387,224	65,733,870	73,592,249	10,126,630
Cost of sales	(84,037,845)	(113,460,127)	(112,669,035)	(15,503,775)	(59,841,506)	(55,790,488)	(7,677,027)
Gross profit	30,453,096	18,239,300	20,954,597	2,883,449	5,892,364	17,801,761	2,449,604
Other income and gains	3,706,677	3,928,933	3,713,038	510,931	1,658,719	1,837,861	252,898
Share of gains of associates	61,519	503,335	1,193,259	164,198	954,433	823,949	113,379
Selling and distribution expenses	(525,709)	(597,679)	(755,274)	(103,929)	(304,140)	(366,499)	(50,432)
Administrative expenses	(5,708,346)	(5,933,759)	(4,952,875)	(681,538)	(2,808,009)	(2,453,793)	(337,653)
Other expenses	(1,690,523)	(329,047)	(945,299)	(130,077)	(89,388)	(596,468)	(82,077)
Financial costs	(3,625,974)	(3,019,544)	(3,267,938)	(449,683)	(1,474,674)	(1,561,045)	(214,807)
Changes in fair value of derivative	(116,806)	(184,981)	(49,044)	(6,749)	14,393	(1,614,777)	(222,201)
Profit before taxation	22,553,934	12,606,558	15,890,464	2,186,601	3,843,698	13,870,989	1,908,712
Income tax expense	(5,705,135)	(2,797,583)	(3,392,712)	(466,853)	(871,674)	(3,863,113)	(531,582)
Profit for the year	16,848,799	9,808,975	12,497,752	1,719,748	2,972,024	10,007,876	1,377,130
Profit for the year attributable to owners of the Company	16,073,342	8,701,953	11,460,678	1,577,042	2,456,623	9,154,911	1,259,758
Non-controlling interests	775,457	1,107,022	1,037,074	142,706	515,401	852,965	117,372
	16,848,799	9,808,975	12,497,752	1,719,748	2,972,024	10,007,876	1,377,130
Earnings per share							
Basic	1.7720	0.9358	1.2095	0.1664	0.2590	0.9660	0.1329
Diluted	1.7119	0.9358	1.1952	0.1645	0.2590	0.9660	0.1329
Other financial data (unaudited)							
EBITDA(1)	33,511,345	23,133,309	26,516,694	3,648,819	8,875,535	20,651,896	2,841,795
EBITDA margin(2)	29.3%	17.6%	19.8%	19.8%	13.5%	28.1%	28.1%
Total debt(3)	61,304,889	60,126,903	63,431,685	8,728,490	64,271,480	70,442,079	9,693,153
Net debt(4)	10,453,733	31,022,303	29,883,984	4,112,173	32,644,115	30,671,927	4,220,598
Total debt/EBITDA	1.83	2.60	2.39	2.39	3.62	1.71	1.71
Net debt/EBITDA	0.31	1.34	1.13	1.13	1.84	0.74	0.74
EBITDA/Finance cost	9.24	7.66	8.11	8.11	6.02	13.23	13.23

Notes:

(1) EBITDA refers to our profit and comprehensive income before for the year interest income/expense, finance costs, taxation, depreciation and amortization, foreign exchange loss and impairment losses recognised in respect of goodwill, property, plant and equipment. EBITDA is not a standard measure under IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly

titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Bonds. Interest expense excludes amounts capitalized. See the section entitled "Description of the Bonds – Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Bonds.

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 31 December				For the six months ended 30 June		
	2021	2022	2023		2023	2024	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(in thousands)			
Profit and other comprehensive income for the year	16,848,799	9,808,975	12,497,752	1,719,748	2,972,024	10,007,876	1,377,130
Interest income	(547,987)	(558,175)	(869,818)	(119,691)	(381,989)	(626,744)	(86,243)
Finance costs	3,625,974	3,019,544	3,267,938	449,683	1,474,674	1,561,045	214,807
Taxation	5,705,135	2,797,583	3,392,712	466,853	871,674	3,863,113	531,582
Depreciation and amortization	6,712,704	6,951,059	7,186,035	988,831	3,599,533	3,564,077	490,433
Foreign exchange losses (gains)	(393,892)	889,485	223,678	30,779	354,012	361,202	49,703
Impairment loss recognised in respect of property, plant and equipment and right-of-use assets	1,560,612	224,838	818,397	112,615	–	534,225	73,512
Derivative component of convertible bonds	–	–	–	–	(14,393)	1,387,102	190,872
EBITDA	33,511,345	23,133,309	26,516,694	3,648,819	8,875,535	20,651,896	2,841,795

(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.

Consolidated Statements of Financial Position

	As of 31 December				As of 30 June	
	2021	2022	2023		2024	
	RMB	RMB	RMB	US$	RMB	US$
	(in thousands)					
NON-CURRENT ASSETS						
Property, plant and equipment	63,441,945	68,060,299	70,200,235	9,659,874	71,628,855	9,856,458
Right-of-use assets	5,718,365	7,672,678	9,675,440	1,331,385	9,806,273	1,349,388
Intangible assets	32,595	34,291	42,907	5,904	40,510	5,574
Investment properties	3,808	41,046	38,159	5,251	36,729	5,054
Deposit paid for acquisition of property, plant and equipment	636,493	644,100	1,045,165	143,819	2,349,009	323,234
Deferred tax assets	2,616,950	2,605,197	2,990,023	411,441	2,606,936	358,726
Interests in associates	6,064,998	10,296,678	11,034,432	1,518,388	12,950,946	1,782,109
Loan to an associate	2,000,000	2,000,000	2,000,000	275,209	2,000,000	275,209
Goodwill	278,224	278,224	278,224	38,285	278,224	38,285
Financial asset at fair value through other comprehensive income	1,058,906	1,542,588	1,401,378	192,836	1,036,431	142,618
Financial asset at amortised cost	2,499,000	2,499,000	2,494,000	343,186	2,494,000	343,186
Financial assets at fair value through profit or loss	–	–	11,725,159	1,613,436	11,497,484	1,582,106
Prepayment	541,210	2,500,000	–	–	–	–
	84,892,494	98,174,101	112,925,122	15,539,014	116,725,397	16,061,949
CURRENT ASSETS						
Inventories	22,705,105	37,267,620	33,958,455	4,672,839	34,760,467	4,783,199
Trade receivables	7,284,753	4,610,695	5,488,751	755,277	7,239,475	996,185
Bills receivables	11,918,515	5,573,175	4,977,642	684,946	6,703,004	922,364
Prepayments and other receivables	10,768,496	10,051,561	8,747,804	1,203,738	8,168,655	1,124,044
Other financial assets	99	2,122	–	–	–	–
Income tax recoverable	304	957,917	674,610	92,829	340,515	46,856
Restricted bank deposits	1,623,874	1,720,058	1,826,579	251,346	2,268,522	312,159
Cash and cash equivalents	49,227,282	27,384,542	31,721,122	4,364,972	37,501,630	5,160,396
	103,528,428	87,567,690	87,394,963	12,025,947	96,982,268	13,345,204
CURRENT LIABILITIES						
Trade and bills payables	18,735,216	14,911,002	11,648,276	1,602,856	13,420,961	1,846,786
Other payables and accruals	11,479,959	12,357,158	10,603,297	1,459,062	11,779,075	1,620,855
Bank borrowing – due within one year	21,010,873	30,533,850	30,489,208	4,195,455	34,432,866	4,738,120
Income tax payable	2,719,910	618,264	2,586,352	355,894	2,148,914	295,700
Other financial liabilities	4,497	–	–	–	–	–
Lease liabilities	10,372	16,161	37,952	5,222	22,549	3,103
Liability component of convertible bonds – due within one year	1,358,611	–	–	–	–	–
Derivatives component of convertible bonds – due within one year	713,086	–	–	–	–	–
Short-term debentures and notes	1,500,000	3,000,000	7,000,000	963,232	7,000,000	963,232
Medium-term debentures and bonds – due within one year	3,598,649	8,507,112	8,116,930	1,116,927	5,511,900	758,463
Guaranteed notes – due within one year	1,908,945	1,392,893	3,511,821	483,243	2,125,961	292,542
Deferred income	26,514	36,684	35,290	4,856	27,221	3,746
TOTAL CURRENT LIABILITIES	63,066,632	71,373,124	74,029,126	10,186,747	76,469,447	10,522,546
NET CURRENT ASSETS	40,461,796	16,194,566	13,365,837	1,839,200	20,512,821	2,822,658
TOTAL ASSETS LESS CURRENT LIABILITIES	125,354,290	114,368,667	126,290,959	17,378,214	137,238,218	18,884,607
CAPITAL AND RESERVES						
Share capital	595,139	618,881	618,881	85,161	618,881	85,161
Reserves	80,712,656	83,879,972	91,625,797	12,608,129	99,152,963	13,643,902
Equity attributable to owners of the Company	81,307,795	84,498,853	92,244,678	12,693,290	99,771,844	13,729,063
Non-controlling interests	11,131,034	11,806,924	14,011,767	1,928,083	10,303,631	1,417,827
TOTAL EQUITY	92,438,829	96,305,777	106,256,445	14,621,373	110,075,475	15,146,889
NON-CURRENT LIABILITIES						
Other financial liability	–	–	2,965,195	408,024	3,053,829	420,221
Lease liabilities	51,359	51,755	916,706	126,143	924,575	127,226
Bank borrowings – due after one year	15,370,878	4,993,909	8,621,908	1,186,414	9,610,407	1,322,436
Liability component of convertible bonds	1,633,747	1,830,527	1,963,567	270,196	2,044,529	281,337
Derivatives component of convertible bonds	241,270	457,010	521,919	71,818	1,934,343	266,174
Deferred tax liabilities	813,998	523,795	363,704	50,047	335,064	46,106
Medium-term debentures and bonds – due after one year	9,544,944	5,960,847	3,206,332	441,206	7,782,073	1,070,849
Guaranteed notes	4,423,886	3,450,755	–	–	–	–
Deferred income	835,379	794,292	1,475,183	202,992	1,477,923	203,369
TOTAL NON-CURRENT LIABILITIES	32,915,461	18,062,890	20,034,514	2,756,841	27,162,743	3,737,718

RECENT DEVELOPMENTS

EXTRACTED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2024

The following audited consolidated results for the year ended 31 December 2024 prepared in accordance with the IFRSs, together with comparative figures for the year ended 31 December 2023, are extracted from the announcement of annual results for the year ended 31 December 2024 (the "**Year**") filed with the Hong Kong Stock Exchange on 14 March 2025. Our announcement of annual results for the year ended 31 December 2024 is not a comprehensive audit report (and the results and comparative figures set out in this section of this Offering Circular are extracts from such announcement) and will not contain the same level of detail as that of a comprehensive audit report. As such, investors are advised to exercise due caution when reviewing our extracted financial information for the year ended 31 December 2024 set out in this section and elsewhere in this Offering Circular. Any investor who is in doubt is strongly advised to seek advice from your own professional advisors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December	
	2024	**2023**
	RMB	**RMB**
	(in thousands)	
Revenue	156,168,720	133,623,632
Cost of sales	(114,006,028)	(112,669,035)
Gross profit	42,162,692	20,954,597
Other income and gains	2,984,394	3,713,038
Selling and distribution expenses	(661,024)	(755,274)
Administrative expenses	(4,992,949)	(4,952,875)
Other expenses	(2,898,537)	(945,299)
Finance costs	(3,363,259)	(3,267,938)
Changes in fair values of financial instruments	(2,192,462)	(49,044)
Share of profits of associates	1,758,457	1,193,259
Profit before taxation	32,797,312	15,890,464
Income tax expenses	(8,251,619)	(3,392,712)
Profit for the year	24,545,693	12,497,752
Attributable to:		
Owners of the Company	22,372,331	11,460,678
Non-controlling interests	2,173,362	1,037,074
	24,545,693	12,497,752
Other comprehensive (expense) income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	(92,886)	108,753
Share of other comprehensive (expense) income of associates	(60,235)	22,707
	(153,121)	131,460
Items that will not be reclassified subsequently to profit or loss:		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	(90,083)	(141,210)
Total comprehensive income for the year, net of income tax	24,302,489	12,488,002
Total comprehensive income for the year attributable to		
Owners of the Company	22,074,435	11,422,590
Non-controlling interests	2,228,054	1,065,412
	24,302,489	12,488,002
Earnings per share		
– Basic (RMB)	2.3611	1.2095
– Diluted (RMB)	2.3611	1.1952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	For the year ended 31 December 2024 RMB	2023 RMB
	(in thousands)	
NON-CURRENT ASSETS		
Property, plant and equipment	75,393,127	70,200,235
Right-of-use assets	9,668,117	9,675,440
Intangible assets	45,352	42,907
Investment properties	35,298	38,159
Deposits paid for acquisition of property, plant and equipment	1,349,009	1,045,165
Deferred tax assets	2,621,516	2,990,023
Interests in associates	13,222,431	11,034,432
Loan to an associate	2,000,000	2,000,000
Goodwill	278,224	278,224
Financial asset at amortised cost	2,494,000	2,494,000
Financial assets at fair value through other comprehensive income	1,144,810	1,401,378
Financial assets at fair value through profit or loss	11,088,589	11,725,159
	119,340,473	112,925,122
CURRENT ASSETS		
Inventories	37,344,003	33,958,455
Trade receivables	9,773,923	5,488,751
Bills receivables	6,602,454	4,977,642
Prepayments and other receivables	7,811,711	8,747,804
Income tax recoverable	370,768	674,610
Restricted bank deposits	2,797,477	1,826,579
Cash and cash equivalents	44,770,241	31,721,122
	109,470,577	87,394,963
Non-current assets classified as held for sale	353,982	–
	109,824,559	87,394,963
CURRENT LIABILITIES		
Trade and bills payables	14,930,515	11,648,276
Other payables and accruals	13,213,465	10,603,297
Bank borrowings – due within one year	34,168,202	30,489,208
Lease liabilities	25,429	37,952
Income tax payable	3,674,186	2,586,352
Short-term debentures and notes	3,000,000	7,000,000
Medium-term debentures and bonds – due within one year	5,781,304	8,116,930
Guaranteed notes – due within one year	2,154,409	3,511,821
Deferred income	35,039	35,290
	76,982,549	74,029,126
NET CURRENT ASSETS	32,842,010	13,365,837
TOTAL ASSETS LESS CURRENT LIABILITIES	152,182,483	126,290,959
NON-CURRENT LIABILITIES		
Bank borrowings – due after one year	14,134,227	8,621,908
Other financial liability	2,730,955	2,965,195
Lease liabilities	932,053	916,706
Medium-term debentures and bonds – due after one year	9,553,655	3,206,332
Liability component of convertible bonds – due after one year	2,093,235	1,963,567
Derivative component of convertible bonds – due after one year	2,109,265	521,919
Deferred tax liabilities	488,057	363,704
Deferred income	1,527,538	1,475,183
	33,568,985	20,034,514
NET ASSETS	118,613,498	106,256,445
CAPITAL AND RESERVES		
Share capital	618,881	618,881
Reserves	107,181,060	91,625,797
Equity attributable to owners of the Company	107,799,941	92,244,678
Non-controlling interests	10,813,557	14,011,767
TOTAL EQUITY	118,613,498	106,256,445

FINANCIAL REVIEW

Revenue, gross profit, gross profit margin and percentage of revenue

The following table shows comparison between the breakdown of revenue, gross profit, gross profit margin and percentage of revenue by product for the years ended 31 December 2024 and 2023.

	For the year ended 31 December							
	2024				2023			
	Revenue	Gross profit	Gross profit margin	Proportion to total revenue	Revenue	Gross profit	Gross profit margin	Proportion to total revenue
Products	*RMB*	*RMB*	*%*	*%*	*RMB*	*RMB*	*%*	*%*
	(in thousands)				(in thousands)			
Aluminum alloy products	102,433,767	25,200,391	24.6	65.6	94,640,869	16,455,810	17.4	70.8
Alumina	37,351,737	13,238,017	35.4	23.9	26,557,457	2,959,858	11.1	19.9
Aluminum fabrication products	15,571,014	3,798,489	24.4	10.0	11,500,388	1,634,298	14.2	8.6
Steam	812,202	(74,205)	(9.1)	0.5	924,918	(95,369)	(10.3)	0.7
Total	156,168,720	42,162,692	27.0	100.0	133,623,632	20,954,597	15.7	100.0

For the year ended 31 December 2024, the Group's revenue derived from aluminum alloy products was approximately RMB102,433,767,000, representing an increase of approximately 8.2% as compared to that of approximately RMB94,640,869,000 for the corresponding period last year. The revenue derived from alumina products was approximately RMB37,351,737,000, representing an increase of approximately 40.6% as compared to that of approximately RMB26,557,457,000 for the corresponding period last year. The revenue from aluminum fabrication products was approximately RMB15,571,014,000, representing an increase of approximately 35.4% as compared to that of approximately RMB11,500,388,000 for the corresponding period last year. These increases were mainly due to the rise in sales volume and prices of aluminum alloy products, alumina products and aluminum fabrication products compared to the corresponding period last year.

For the year ended 31 December 2024, the overall gross profit margin of the Group's products was approximately 27.0%, representing an increase of approximately 11.3 percentage points as compared to that of approximately 15.7% for the corresponding period last year. Gross profit margin of aluminum alloy products was approximately 24.6%, representing an increase of approximately 7.2 percentage points as compared to that of the corresponding period last year. Gross profit margin of alumina products was approximately 35.4%, representing an increase of approximately 24.3 percentage points as compared to that of the corresponding period last year. Gross profit margin of aluminum fabrication products was approximately 24.4%, representing an increase of approximately 10.2 percentage points as compared with that of the corresponding period last year. These increases were mainly due to the rise in sales price of aluminum alloy products, alumina products and aluminum fabrication products compared to the corresponding period last year.

Selling and distribution expenses

For the year ended 31 December 2024, the Group's selling and distribution expenses were approximately RMB661,024,000, representing a decrease of approximately 12.5% as compared with approximately RMB755,274,000 for the corresponding period last year, which was mainly due to the decrease in unit price of transportation cost, leading to a corresponding decrease in transportation cost.

Administrative expenses

For the year ended 31 December 2024, the Group's administrative expenses amounted to approximately RMB4,992,949,000, representing an increase of approximately 0.8% as compared with approximately RMB4,952,875,000 for the corresponding period last year, which was basically unchanged compared to that of last year.

Finance costs

For the year ended 31 December 2024, the Group's finance costs amounted to approximately RMB3,363,259,000, representing an increase of approximately 2.9% as compared with approximately RMB3,267,938,000 for the corresponding period of last year, which was mainly due to the increase in the Group's total interest-bearing debts during the Year, leading to higher interest expenses.

Liquidity and financial resources

As at 31 December 2024, the Group's cash and cash equivalents were approximately RMB44,770,241,000, representing an increase of approximately 41.1% as compared to that of approximately RMB31,721,122,000 as at 31 December 2023. The increase in cash and cash equivalents was mainly due to the increase in net cash inflow from operating activities as a result of, among other factors, the increase in the Group's profit for the Year.

For the year ended 31 December 2024, the Group's net cash inflow from operating activities was approximately RMB33,982,862,000, net cash outflow from investing activities was approximately RMB12,557,372,000, and net cash outflow from financing activities was approximately RMB8,430,546,000. The net cash outflows from investing activities were mainly attributable to the cash outflows for the purchase of properties, plants and equipment. The net cash outflow for financing activities was mainly attributable to the cash outflow for the dividend payout, the payment of interest on debts by the Group during the Year.

For the year ended 31 December 2024, the Group's capital expenditure amounted to approximately RMB12,608,507,000, mainly for the payment of the quality guarantee deposits for the preliminary stages of construction projects in accordance with the relevant contracts, the construction expenditure of the green aluminum innovation industrial park project in Yunnan (雲南綠色鋁創新產業園項目), lightweight material base (輕量化材料基地), new energy projects and others.

As at 31 December 2024, the Group had capital commitment of approximately RMB7,455,180,000 in relation to the purchase of the property, plant and equipment in the future, primarily for the construction projects such as the green aluminum innovation industrial park project in Yunnan, lightweight material base, and new energy projects. In addition, the Group agreed to provide performance guarantee in respect of the funding obligations of its associates in the iron ore project in Simandou, Guinea, pursuant to which the Group undertook to fund the project to an amount not exceeding US$1,780,000,000, equivalent to approximately RMB12,607,206,000 (indirectly including the obligations of the Group for its relevant funding contribution under the Winning Consortium Holdings Pte. Ltd. Shareholders Agreement).

As at 31 December 2024, the Group's trade receivables amounted to approximately RMB9,773,923,000, representing an increase of approximately 78.1% as compared with that of approximately RMB5,488,751,000 as at 31 December 2023, which was mainly due to the increased credit terms granted to certain customers during the Year, leading to an increase in the trade receivables as at the end of the period.

As at 31 December 2024, the Group's prepayments and other receivables (including non-current assets) amounted to approximately RMB7,811,711,000, representing a decrease of approximately 10.7% as compared with that of approximately RMB8,747,804,000 as at 31 December 2023, which was mainly because certain prepayments and other receivables as at the end of 2023 were utilised or collected during the Year.

As at 31 December 2024, the Group's inventory was approximately RMB37,344,003,000, representing an increase of approximately 10.0% from approximately RMB33,958,455,000 as at 31 December 2023, which was mainly due to the slight increase in inventory quantity and unit price of certain raw materials.

Contingent liability

As at 31 December 2024 and 2023, the Group had no material contingent liabilities save as disclosed in this results announcement.

Income tax

The Group's income tax for 2024 amounted to approximately RMB8,251,619,000, representing an increase of approximately 143.2% from approximately RMB3,392,712,000 for the corresponding period last year. The significant increase in the income tax was mainly due to the significant increase in the Group's profit before tax as compared with the corresponding period last year.

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

As at 31 December 2024, net profit attributable to owners of the Company was approximately RMB22,372,331,000, representing an increase of approximately 95.2% as compared to approximately RMB11,460,678,000 for the corresponding period last year.

During the Year, basic earnings per share of the Company were approximately RMB2.3611 (2023: approximately RMB1.2095).

Capital structure

The Group has established an appropriate liquidity risk management framework to secure its short, medium and long-term funding supply and to satisfy its liquidity need. As at 31 December 2024, the cash and cash equivalents of the Group amounted to approximately RMB44,770,241,000 (31 December 2023: approximately RMB31,721,122,000), which were mainly placed in commercial banks. Such level of cash and cash equivalents would assist in ensuring stability and flexibility of the Group's business operations. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources, so as to satisfy the business needs and maintain a sound and stable financial position.

As at 31 December 2024, the total liabilities of the Group amounted to approximately RMB110,551,534,000 (31 December 2023: approximately RMB94,063,640,000). Gearing ratio (total liabilities to total assets) was approximately 48.2% (31 December 2023: approximately 47.0%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and right-of-use assets as collateral for bank borrowings to provide part of the funding for its daily business operations and project development. As at 31 December 2024, secured bank borrowings of the Group amounted to approximately RMB15,547,656,000 (31 December 2023: approximately RMB12,537,863,000).

As at 31 December 2024, the Group's total bank borrowings were approximately RMB48,302,429,000. The Group maintained an appropriate portfolio of liabilities at fixed interest rates and variable interest rates to manage its interest expenses. As at 31 December 2024, approximately 64.3% of the Group's bank borrowings were subject to fixed interest rates while its remainder of approximately 35.7% was subject to floating interest rates.

The Group aims to maintain a balance between the continuity and flexibility of financing through utilising various debt financing instruments. As at 31 December 2024, liabilities of the Group, other than bank borrowings included short-term bonds of approximately RMB3,000,000,000, medium- term notes and corporate bonds of approximately RMB15,334,959,000, guaranteed notes of approximately RMB2,154,409,000 and convertible bonds (inclusive of derivatives components) of approximately RMB4,202,500,000, the interest rates of which ranged from 2.35% to 7.75% per annum. Such notes and bonds would facilitate the optimisation of the Group's debt structure and reduce financing costs.

As at 31 December 2024, the Group had net current assets of approximately RMB32,842,010,000. The Group will continue to expand its financing channels and optimise its debt structure. In addition, the Group will continue to control its production costs, enhance its profitability and improve its cash flow position in order to ensure the Group to have adequate liquidity.

As at 31 December 2024, the Group's liabilities were mainly denominated in RMB and foreign currency, of which, approximately 88.7% of the total liabilities were denominated in RMB, and approximately 11.3% were denominated in foreign currency. The Group's cash and cash equivalents were mainly held in RMB and foreign currency, of which approximately 87.7% were held in RMB and approximately 12.3% were held in foreign currency.

OTHER INFORMATION

On-Market Share Repurchase Under the Repurchase Mandate

Pursuant to the share repurchase mandate granted by the shareholders of the Company at the annual general meeting held on 14 May 2024, the Company repurchased an aggregate of 11,649,500 shares on 15 January 2025, 16 January 2025, 17 January 2025, 23 January 2025, 28 January 2025, 3 February 2025 and 5 February 2025. This represents approximately 0.12% of the issued shares (excluding treasury shares) of the Company prior to the repurchase. These repurchased shares were subsequently cancelled on 20 February 2025.

Issue of US$330,000,000 7.05% Senior Notes Due 2028

On 10 January 2025, the Company issued 7.05% senior notes with an aggregate principal amount of US$330,000,000, which were listed on the Singapore Exchange Securities Trading Limited. The notes will mature on 10 January 2028 and bear an interest rate of 7.05% per annum. The Company intends to use the net proceeds of the offering to refinance existing offshore debt and for general corporate purposes.

Agreement of Intent and Proposal for Acquisition of Assets by Issuance of Shares

On 20 December 2024, Aluminum & Power and Shandong Hontron Aluminum Industry Holding Co., Ltd.（山東宏創鋁業控股股份有限公司）("**Hontron Holding**") (a company listed on the Shenzhen Stock Exchange (the "**SZSE**"), stock code: 002379.SZ and indirectly held as to approximately 22.65% of its shares by our Company) entered into an "agreement of intent for the acquisition of assets by issuance of shares" (the "**Agreement of Intent**"). Hontron Holding plans to acquire all the equity interests in Hongtuo Industrial by issuing new shares to the existing shareholders of Hongtuo Industrial (the "**Sellers**"), including Aluminum & Power, as consideration for the acquisition (the "**Transaction**"). After the Transaction, the shareholding of our Company in Hontron Holding will increase accordingly and Hongtuo Industrial will continue to be a subsidiary of our Group (through Hontron Holding). The Transaction aims to enhance our Group's level of asset securitisation and market influence, achieving asset integration that will improve management efficiency and business performance while promoting the long-term development of our Group. In addition, the Transaction will enhance the asset quality of Hontron Holding, significantly improve its financial position and profitability, and facilitate its establishment as a leading listed company in the aluminium industry, which will enhance its overall value and maximize shareholder interests.

The Transaction does not involve the issuance of shares by our Company. The final transaction price of the Transaction will be based on the appraised value as confirmed in the asset appraisal report issued by an asset appraisal institution qualified to engage in securities and futures business, and will be determined by the negotiation between the parties of the Transaction. The Agreement of Intent is only an agreement of intent. The specific transaction plan and transaction terms shall be subject to the formal transaction agreement(s) as finally entered into. The Transaction is subject to the fulfilment of certain conditions precedent, including but not limited to regulatory approvals. Subsequently, our Company will comply with the necessary procedures in accordance with the Listing Rules (if needed), and will comply with our disclosure obligations under the Listing Rules in a timely manner according to the progress of the Transaction.

On 6 January 2025, the board of directors of Hontron Holding resolved to approve a proposal for the Transaction, which entails the issuance of domestic RMB ordinary shares (A shares) of Hontron Holding at a nominal value of RMB1.00 per share to purchase target shares held by the Sellers. The pricing benchmark date for this acquisition is set as 7 January 2025. As of date of this Offering Circular, the final price of the target shares remains undetermined, pending the completion of ongoing audit, valuation, and due diligence processes. Nevertheless, the agreed issue price is RMB5.34 per share, being 80% of the average trading price of the shares of Hontron Holding over the 120 trading days prior to the pricing benchmark date. The number of shares to be issued will be calculated by dividing the total consideration by the issue price, subject to approval at the general meeting of Hontron Holding, reviews by the SZSE and registration with the CSRC. Shandong Hongqiao, Aluminum & Power and the Sellers (other than Aluminum & Power) have made certain lock-up period undertakings in relation to the Transaction. The accumulated undistributed profits of Hontron Holding before the completion of the Transaction shall be shared by the new shareholders upon the completion of the Transaction and the existing shareholders based on their shareholding proportion.

Hontron Holding has obtained initial approval from its board of directors, and the Sellers have fulfilled the necessary authorizations at this stage. Additionally, the controlling shareholder of Hontron Holding has agreed in-principle to the Transaction. However, the consummation of the Transaction remains contingent upon several factors, including a subsequent board meeting to approve the formal plan of the Transaction following the completion of the audit and valuation work, internal approvals from the Sellers, and approval from the general meeting of Hontron Holding, which must secure over two-thirds approval from non-affiliated shareholders. Furthermore, compliance with applicable laws and regulations, including required approvals from the SZSE and the registration process with the CSRC, is essential to finalize the Transaction. There is no guarantee that the necessary approvals or authorizations will be granted.

The Transaction remains at its preliminary planning stage, and no formal transaction agreement has been signed by the parties thereto. The relevant details of the Transaction (including but not limited to the consideration of the Transaction and the specific status of the share issuance of Hontron Holding) are pending further determination, and it is uncertain whether the Transaction will obtain the approval, authorisation or consent of the relevant regulatory authorities. There can be no assurance that the Transaction will proceed or when it will proceed. As a result, the consummation of the Transaction remains uncertain.

RISK FACTORS

You should carefully consider the risks described below and all other information contained in this Offering Circular before making an investment decision. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that almost all of our operations are conducted in China and are governed by a legal and regulatory environment that differs from those that prevail in other countries. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, we may not be able to satisfy our obligations under the Bonds and you may lose part or all of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to doing business in the PRC; and (iv) risks relating to the Bonds.

Risks Relating to Our Business

Our business and results of operations are dependent on the market price of aluminum products, which is driven by factors beyond our control. Our profitability may be adversely affected by declines in market price of aluminum products.

Our business is sensitive to fluctuations in the prices of aluminum products. Like most aluminum producers in China, we price our aluminum products primarily by reference to spot market prices. Any fall in such aluminum prices may have an adverse impact on our gross profit margin, and consequently our gross profit and net profit. The prices we receive are dependent upon spot market prices and upon numerous factors beyond our control. We attempt to pass pricing changes to our customers, but we may be unable to or be delayed in doing so. Our inability to pass through price changes or any limitation or delay in our passing through price changes could adversely affect our profit margins. Fluctuations in the market prices of aluminum products may affect our results of operations. Details of historical price movements of aluminum products are set out in the section headed "Industry Overview" in this Offering Circular.

The prices of aluminum products have historically fluctuated in response to market forces, such as global production, refining and smelting production, global and PRC economic conditions and industrial supply and demand. In recent years, there have been significant fluctuations in the prices of aluminum products. These fluctuations have been driven by changes in the end-use of aluminum products, as a result of fluctuations in investment in the construction, electrical, transport and consumer durables sectors. For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the average selling price of our own aluminum products per ton was approximately RMB16,963, RMB18,008, RMB16,773 (US$2,308), RMB16,641 and RMB17,691 (US$2,434), respectively. There can be no assurance that the domestic demand for aluminum will continue to grow, that domestic aluminum will not experience excess supply, or that there will not be significant drops in aluminum prices in China. Any overcapacity in the PRC aluminum industry, whether caused by a decrease in demand or an increase in supply, would likely affect the average selling price of our products. Further, the demand of our products is dependent on the economic cycle. In particular, the market demand of certain of our downstream industries, such as the real estate industry and automotive industry, is susceptible to the economic downturn. Any severe or prolonged slowdown or instability in the global economy will, in turn, result in a deduction in demand of our aluminum products and putting significant downward pressure on our average selling prices. These events may consequently have a material adverse effect on our business, results of operations and financial condition.

In addition, the prices of our raw materials fluctuate from time to time. Even if there is an increase in the market price of our products, it may not be sufficient to offset an increase in the prices of raw materials, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. For example, our gross profit margin for the two years ended 31 December 2021 and 2022 were approximately 26.6% and 13.8%. This was primarily due to the fact that, although the unit sales price of our Group's aluminum alloy products increased in 2022 compared to 2021, the increase in the purchase price of our Group's major raw materials outpaced the rise in the unit sales price. Consequently, the gross profit margin of aluminum alloy products decreased compared to the corresponding period in 2021. Our gross profit margin for the year ended 31 December 2022 increased to approximately 13.8% to approximately 15.7% for the year ended 31 December 2023. This was mainly due to the fact that, although there was a year-on-year decrease in the sales price of aluminum alloy products, the decrease in the purchase prices of our Group's main raw materials was greater. Consequently, the gross profit margin of aluminum alloy products increased compared to the corresponding period in 2022. Our future financial performance is subject to a variety of risks and uncertainties that could materially affect our results of operations, cash flows, and financial conditions. We cannot assure you that we will achieve our anticipated financial results, and the actual results may differ materially from our projections.

If our electricity costs increase significantly or if we are unable to obtain sufficient electricity supply, our business, financial condition and results of operations will be materially and adversely affected.

Aluminum production requires a stable supply of electricity in large quantities. Our electricity cost was approximately RMB32,572.1 million, RMB41,255.2 million, RMB38,371.5 million (US$5,280.1 million), RMB21,028.8 million and RMB19,158.7 million (US$2,636.3 million) for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, 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 electricity supply in the future. For example, coal is an important material used to generate electricity. We purchase coal from a number of coal suppliers and have entered into long-term coal supply agreements with certain of such suppliers. The purchase cost of coal accounted for approximately 29.6%, 24.5%, 18.7%, 18.7% and 18.7% of our total cost of sales for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. As a result, any increase in the price of coal could increase the cost of electricity generated by our thermal power stations. We also cannot assure you that our suppliers will not terminate or fail to perform under these long-term coal supply agreements.

In addition, the price of electricity we purchase from our existing external supplier is subject to adjustment through negotiation if the price of coal fluctuates significantly. As a result, any increase in the price of coal could increase the price of electricity we purchase. Also, if our existing external suppliers of electricity choose to terminate our electricity supply agreement with them, we cannot guarantee you that we may be able to find alternative sources at the same price level or at otherwise commercially acceptable prices or terms in a timely manner. Likewise, the price of electricity may be affected by the implementation, change and enforcement of the PRC laws, regulations and government policies pertaining to electricity and energy. For example, on 11 October 2021, the NDRC published a notice in respect of the marketization reforms of coal-based electricity prices which came into effect on 15 October 2021. Policies as such may drive electricity costs to increase when there is an electricity shortage especially in heating seasons. Therefore, if there is a significant increase in our electricity costs, as a result of an increase in coal cost, implementation, change or enforcement of the PRC laws, regulations and government policies pertaining to electricity and energy or other reasons, an insufficient electricity supply to satisfy our production needs or any disruption in electricity supply would materially and adversely affect our business, financial condition and results of operations.

Any disruption in our aluminum product manufacturing facilities or our thermal power stations could materially and adversely affect our business, financial condition and results of operations.

The majority of our existing PRC aluminum manufacturing facilities, and our thermal power stations are located within or in close proximity to Zouping City or Binzhou Economic Development Zone, in Shandong Province of China. Any disruption or significant damage to our aluminum product manufacturing facilities or our thermal power stations or our alumina production facility from natural or other causes, such as flood, fire and earthquake, could be costly and time-consuming to repair and could disrupt our operations. In such an event, we would be forced to seek alternative manufacturing sites, alumina supply and facilities or electricity supplies, which we believe would be extremely difficult to locate and secure given the highly specialized and large-scale nature of our aluminum product manufacturing business and our significant requirements for alumina and electricity. Even if we are able to identify an alternative manufacturing site, alumina supply or electricity suppliers following the occurrence of such an event, we would likely incur significant additional costs and experience disruptions in the production of our products. For instance, as affected by the rainstorms brought by typhoon "Lekima" in August 2019, some of our production workshops were damaged by the storm. Our management estimated that our production volume of aluminum products for 2019 decreased by 200,000 to 300,000 tons as a result of "Lekima".

Our operations may be disrupted for other reasons as well. For example, in recent years, the government has been engaged in revising policies to reform the supply side of the aluminum industry. Of particular relevance, in April 2017, the NDRC, the Ministry of Industry and Information Technology, the Ministry of Land and Resources and the Ministry of Ecology and Environment of the PRC (the "**MOEE**", formerly known as the Ministry of Environmental Protection) jointly issued the Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects (《清理整頓電解鋁行業違法違規項目專項行動工作方案的通知》), which was aimed at regulating unlawful electrolytic aluminum projects. As a result of this policy, our Company was required to reduce our production scale by shutting down relevant aluminum production facilities and ancillary facilities with annual production capacity of 2.68 million tons. Such reduction could have a material, adverse effect on our production, revenue and net profits going forward. For the year ended 31 December 2017, we made provision for impairment of assets of approximately RMB4,828.8 million related to our shutting down of these projects, which had a material adverse effect on our net profit for the year ended 31 December 2017. Following a suspension of a portion of our production capacity as described above, our aggregate annual production capacity at our manufacturing bases fell from 7.44 million tons of aluminum products as of 31 December 2016 to 6.46 million tons (inclusive of newly installed production capacity of approximately 1.70 million tons) as of 31 December 2017. In 2019, we were required to close down our raw aluminum production lines of 2.03 million tons annual capacity operated by Aluminum & Power, which will be replaced and transferred to the newly built production lines owned by Yunnan Hongtai New Material Co., Ltd. (雲南宏泰新型材料有限公司). As of the date of this Offering Circular, we are in the process of such transfer and will finish closing down our raw aluminum production lines of 2.03 million tons annual capacity operated by Aluminum & Power, of which 1.49 million tons annual capacity has been transferred to the newly built production lines owned by Yunnan Hongtai New Material Co., Ltd. and put into operation as of 30 June 2024. In addition to supply-chain reform, if we fail to procure adequate raw materials or electricity for our production activities or at all, our operations will also be disrupted. In May 2018, the government of Shandong Province has published a Rectification Plan Implementing Opinions of Central Environmental Protection Supervision Team and a List of Rectification Measures (《山東省貫徹落實中央環境保護督察組督查反饋意見整改方案》及《整改措施清單》). As required, our Group has shut down certain coal-fired power units (煤電機組), and obtained environmental impact assessment documents required for other coal-fired power units to operate legally. In November 2020, the Energy Administration of Shandong Province has published an announcement that our Group has further shut down certain coal-fired power units as required.

Moreover, our smelting pots contain molten electrolytic aluminum. Should our production facilities suspend operations for any reason, such molten electrolytic aluminum would be solidified by the low temperature, and as a result, it would take a significant time and extra electricity to recommence 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, financial condition and results of operations.

Current environmental liabilities as well as the cost of compliance with, and liabilities under, health and safety laws could increase our operating costs and negatively affect our financial condition and results of operations.

Our operations are subject to environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites and employee health and safety. Compliance with environmental protection regulations in the PRC could be costly, and we may become subject to additional environmental compliance requirements in connection with our business operations. In May 2018, the government of Shandong Province has published a Rectification Plan Implementing Opinions of Central Environmental Protection Supervision Team and a List of Rectification Measures (《山東省貫徹落實中央環境保護督察組督查反饋意見整改方案》及《整改措施清單》), according to which, our Group is required to address the issue that "Binzhou Weiqiao Group has illegally buried hazardous wastes in excess of 150,000 tons in the mud field". Rectification measures required to be taken includes cleaning up and transshipping these hazardous wastes, disposing hazardous wastes efficiently and improving environmental management etc. Our Group has made rectifications as required, among others, paid up fines, built up a temporary storage and cleaned up and transshipped these hazardous wastes. The expert panel of the Central Environmental Protection Supervision Team has checked our rectification work and came to the conclusion that it satisfied the periodical rectification requirements raised by the Central Environmental Protection Supervision Team. In recent years, environmental issues have received increasing attention in the PRC. For example, since April, 2017, the MOEE has implemented tightened standards and additional pollution control measures on the industry in 28 cities in the Northern PRC, which include Beijing, Tianjin and the surrounding areas. As part of this process, the MOEE, the NDRC, certain other relevant national government authorities and the People's Government of Beijing, Tianjin, Hebei, Shanxi, Henan and six other provinces jointly issued a series of air pollution control measures and policies. These environmental regulations have imposed and could impose stricter compliance requirements on the industries in which we operate. Additional pollution control equipment, process changes, or other environmental control measures may be needed at some of our facilities to meet future requirements. 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 requirements at currently owned or operated properties or adjacent areas could result in significant liabilities. In recent years, the environmental impact of our overseas business operations has received attention from NGOs. For example, Human Rights Watch issued a report with the title of "What Do We Get Out of It? The Human Rights Impact of Bauxite Mining in Guinea" in October 2018, suggesting, among other things, that La Société Minière de Boké ("**SMB**"), a joint venture located in Guinea and indirectly owned as to 22.5% by our Company, has not done enough to prevent damage to water resources, with significant consequences for local communities. Local environmental authorities of Guinea may impose fines, other penalties and temporary suspension of business activities on SMB in the future. Any remedial requirements imposed by the Guinean government and costs of monitoring and protecting water resources and air quality in local communities may negatively affect the results of operations of SMB.

On 24 October 2021, the State Council released the Action Plan for Reaching Carbon Dioxide Peak Before 2030 (《2030年前碳達峰行動方案》). Industrial domain is one of the primary sources of carbon dioxide emissions in China. According to Antaike, the total carbon dioxide emission of the aluminum industry was approximately 600 million tons in 2022, which accounted for 80% of the total carbon dioxide emission of the China's non-ferrous metals industry. In particular, the total carbon dioxide emission of the aluminum smelting process (including electrolytic aluminum, alumina and secondary aluminum) reached 570 million tons in 2022. In order for the non-ferrous metal industry to achieve the goal of "carbon peaking", the aluminum industry, especially the aluminum smelting industry will face the challenges brought by low-carbon green transformation and high-quality development. For example, according to the Notice to Perfecting the Tiered Electricity Pricing Policy for the Electrolytic Aluminum Industry (《關於完善電解鋁行業階梯電價政策的通知》) which was issued by the NDRC on 26 August 2021 and came into effect on 1 January 2022, a number of regions/districts such as Guizhou, Yunnan, Sichuan, Shanxi and Guangxi Provinces introduced policies cancelling preferential electricity tariff, resulting in the substantial increase in the price of on-grid electricity. The electricity cost accounted for 37.9% of the total production costs of electrolytic aluminum in China for the six months ended 30 June 2024, as compared to that of 36.7% for the six months ended 30 June 2021, according to Antaike. Further laws, regulations or government policies may be introduced affecting our manufacturing bases to achieve the "carbon peaking" initiative and we may incur additional operation cost as a result of or to comply with the same.

If the end-user markets of aluminum products contract or do not grow at the pace we expect, our business, financial condition and results of operations may be materially and adversely affected.

Our business development has depended, and will continue to depend, substantially on the growth of end-user markets for aluminum products. Growth in sales of our aluminum products has been primarily driven by growth in the end-user markets in which our aluminum products are used, particularly in the construction, electrical, transport and consumer durables sectors in the PRC. Any decline in the demand for our aluminum products from end-users could have a material adverse effect on our business, financial condition and results of operations.

Imposition of relevant tariffs on aluminum products by overseas countries may adversely affect our results of operations.

The United States and China have recently been involved in disputes over trade barriers that have escalated into a trade war between the two countries. Both countries have implemented and threatened tariffs on certain imported products from the other, casting uncertainty over tariffs and barrier to entry for products on both sides.

In March 2018, the government of the United States imposed a tariff of 10% on aluminum products exported to the U.S., subject to certain exemptions. The China aluminum products may face other countries' anti-dumping or anti-subsidizing investigations from time to time. For example, on 29 July 2020, the Brazilian government announced the launch of an anti-dumping investigation against China's aluminum sheet products. In addition, on 16 November 2023, the Gulf Cooperation Council announced the anti-dumping probe against relevant China's aluminum alloy products. In May 2024, the U.S. government announced the increase of tariff rate on, among others, certain aluminum products imported from China.

Most of our aluminum products are sold to downstream customers in the PRC and we are not directly subject to international import tariffs. However, sustained tension between the United States and China over trade policies could significantly undermine the stability of the global and Chinese economy. Further, as certain of our customers or their customers may export aluminum products to the United States and other foreign countries, any tariffs or other disruptions to the demand for China's aluminum products overseas could have an material adverse effect on demand for our products, our financial condition and our results of operations.

If we fail to obtain sufficient amounts of raw materials that meet our production requirement, quality standards and at commercially acceptable prices, our business, financial condition and results of operations will be materially and adversely affected.

Our business requires certain key raw materials, such as alumina, carbon anodes and fluorides. We cannot assure you that we will not experience any shortage in their supply in the future. If any shortage occurs, it could materially and adversely affect our production, business and results of operations. If any of our existing suppliers is unwilling or unable to provide us with high-quality raw materials in required quantities and at commercially acceptable prices, we may be unable to find alternative sources at commercially acceptable prices, on satisfactory terms in a timely manner, or at all, which would have a material adverse effect on our business, financial condition and results of operations.

In particular, given that alumina is one of the principal components of our cost of goods sold, accounting for approximately 59.3%, 56.6%, 66.4%, 63.2% and 69.0% of our total purchase cost of raw materials for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively, the price of alumina has a significant impact on our profitability. According to Antaike, the average price of alumina produced domestically in China was approximately RMB2,945 per ton and RMB2,919 per ton for 2022 and 2023, respectively, and the average import price of alumina in China was approximately US$362 per ton and US$343 per ton during the same respective periods. Any increase in the price of alumina may increase our costs of sales. Although we seek to pass on the increased costs to consumers, we may not always be able to do so for reasons beyond our control. For example, we may not be able to increase the price of our products because our competitors may adopt a low pricing strategy or the increased price may cause consumers to choose alternative alumina products. If we are not able to pass on the cost increases to consumers, our results of operations may be materially and adversely affected. Although we have begun self-production of alumina, we expect to continue to procure alumina from external suppliers in the future. We cannot assure you that there will not be any sudden shortages in our supply of alumina, or any fluctuations in its price due to changes in market conditions. In the event that the cost of alumina or any other raw materials that we use in the future increase significantly and we are not able to pass on the additional cost to our customers, our profit margin may be reduced.

We rely on a limited number of suppliers to supply a large percentage of our raw materials and energy requirements.

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. For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, our five largest suppliers together accounted for approximately 41.8%, 40.0%, 30.0%, 31.4% and 29.6% respectively, of our total procurement costs, with our largest supplier accounting for approximately 18.0%, 14.0%, 10.7%, 10.8% and 11.4%, 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 the 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 31 December 2016 and 2017, and for several years before that, and began purchasing each from a new supplier with which we have limited history.

If the bauxite supply to our alumina suppliers or us is disrupted, our business, financial condition and results of operations will be materially and adversely affected.

We procure bauxite, which is the upstream production raw material of alumina, by importing bauxite from various places of origin, mainly including Indonesia, 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, the 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. Any disruption to the bauxite supply to our alumina suppliers or us due to regulatory changes in places where our bauxite suppliers are located, or due to other factors, could have a material adverse impact on our business, financial condition and results of operations.

We may not be able to grow our business successfully.

Our growth prospects and future profitability depend on, among other matters, our ability to successfully maintain and expand our production capability and capacity, either generally or with respect to demand from customers. As such, we have historically expanded our overall production capacity. Such expansion has placed, and will continue to place, substantial demands on our managerial, operational, financial, technological and other resources.

In particular, we are continuing to strengthen our production capacity for aluminum fabrication products such as aluminum foil, aluminum alloy casting-rolling products and high precision aluminum plate and strip products. In addition, we continue to expand into relevant upstream business pursuant to our strategy of enhancing vertical integration. The first phase of the alumina production plant built and operated by our Indonesian Alumina Joint Venture Company commenced operations in the first half of 2016. The second phase of such alumina project which have been put into production by the end of 2021. As of 30 June 2024, the joint venture's alumina production plant has an annual alumina production capacity of 2.0 million tons, which was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. In 2015, we also entered into a joint venture with among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Winning Singapore International Group for the purpose of developing a bauxite mining project in Guinea. 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 135km-long railway and an alumina plant in Guinea. We also expand our business in Guinea, including iron ore mining business. And we are in the process of transferring part of our Group's existing electrolytic aluminum production equipment to Yunnan Province. As of 30 June 2024, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of 1.49 million tons. We are in the process of further transferring the existing electrolytic aluminum production equipment to Yunnan Province, which will then operate using local hydro-power electricity generated in Yunnan Province. Furthermore, we have been working with the Germany-based Scholz Group to develop the Sino-German Hongqiao Scholz Circular Technology Industrial Park project to recycle and dismantle scrapped motor vehicles and produce secondary aluminum and selected raw materials of aluminum alloy and aluminum alloy products. In respect of domestic business, the construction of our lightweight base has been completed and put into production. Going forward, we may continue to invest or acquire other downstream or upstream businesses in the PRC or overseas.

We may not be able to sell our products (including our advanced aluminum fabrication products) at the prices that we expect, or at all, and we may not be able to manufacture these products successfully. We may not be able to fully utilize the additional electricity we plan to generate or produce alumina up to the required standard, or at all. Also, we may not be able to identify appropriate investment or acquisition targets and we may fail to obtain the necessary approvals, permits or filings or develop our projects in a timely fashion or at all. In any of these events, our business, financial condition and results of operations could be materially and adversely affected as a result. For example, on 20 December 2024, Aluminum & Power and Hontron Holding entered into the Agreement of Intent. Hontron Holding plans to acquire all the equity interests in Hongtuo Industrial by issuing new shares to the existing shareholders of Hongtuo Industrial, including Aluminum & Power, as consideration for the acquisition (the "**Transaction**"). After the Transaction, the shareholding of our Company in Hontron Holding will increase accordingly and Hongtuo Industrial will continue to be a subsidiary of our Group (through Hontron Holding). The Transaction is subject to the fulfilment of certain conditions precedent, including but not limited to regulatory approvals. It remains at its preliminary planning stage and no formal transaction agreement has been signed by the parties thereto. As a result, the consummation of the Transaction remains uncertain and therefore, it may not promote the long-term development of our Group as proposed.

Furthermore, we cannot assure you that we have sufficient experience and expertise in the related upstream and downstream businesses in the PRC. In addition, we have limited experience and expertise in managing aluminum products manufacturing business or related upstream or downstream businesses outside of the 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 also place significant demand on us to maintain the quality of our products. We will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including improvements to our internal management systems. We will also need to continue to implement effective training programs to ensure consistently high-quality performance by our employees. All of these measures will require substantial management efforts. If we are unable to effectively manage our growth, our business, financial condition and results of operations may be materially and adversely affected.

Our joint venture arrangements involve a number of uncertainties and risks, which could materially and adversely affect our business, financial condition and results of operations.

As part of our strategies, we may continue to evaluate opportunities to acquire or invest in different regions and markets. For example, in December 2012, we established the Indonesian Alumina Joint Venture Company for alumina production, in which we hold a 61% interest, directly and indirectly. The first phase of our joint venture's alumina production plant commenced operations in the first half of 2016 while the second phase have been put into production by the end of 2021. As of 30 June 2024, the joint venture's alumina production plant has an annual alumina production capacity of 2.0 million tons, which was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. In addition, 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 Winning Singapore International Group for the purpose of developing a bauxite mining project in Guinea.

Mergers, acquisitions or joint ventures that we have entered into and may enter into in the future entail a number of risks that could materially and adversely affect our business, results of operation and financial conditions, including, among others:

- our joint venture partners may be unable or unwilling to perform their obligations under the joint venture arrangements, including their obligations to make required capital contributions;

- our joint venture partners may have different economic or business objectives, and may take actions contrary to our instructions, requests or policies;

- our joint venture partners may have financial difficulties, which may affect their ability to perform their respective obligations under the joint venture agreement;

- disputes may arise as to the scope of each party's responsibilities under such arrangement;

- the results of operations of the joint venture company may not meet our expectations; and

- we may not be able to dispose of our shares in the joint venture company, if desired in the future, on terms that are favorable or acceptable to us, or at all.

In addition, the operation of overseas businesses are subject to the economic, political and social conditions in the relevant local markets. Any adverse change in the economic, political and social conditions or government policies in the relevant local markets could have a material adverse effect on the business and development of these ventures. As the joint ventures are operating overseas, any response to such changes or impact may take additional time and resources. We may also not be able to respond efficiently due to various factors such as time zone difference, geographical distance, cultural difference and unfamiliarity with local customs and practice. We also lack experience of international operations and may face risks associated with operating internationally, including fluctuations in currency exchange rates, difficulty and costs relating to compliance with the different commercial and legal requirements overseas, difficulty in engaging and retaining qualified personnel for international operations, failure to develop appropriate risk management and internal control structures tailored to overseas operations, trade barriers such as export requirements, tariffs, taxes, difficulty in dealing with social instability or responding to natural disasters and other restrictions and expenses.

In the event that we encounter any of the foregoing problems with respect to our joint venture arrangements, our business, financial condition and results of operations could be materially and adversely affected.

Our investment in Simandou, Guinea may not generate return as expected and the guarantees provided may affect our financial positions

We have an investment in Simandou, Guinea, which involves, among other things, the construction, exploration and operation of the relevant iron ore resources of the iron ore mine (including the construction and operation of the relevant infrastructure and facilities). On 6 March 2024, Aluminum & Power agreed to provide guarantees up to an aggregate maximum amount of US$1,780 million for the punctual performance by Winning Consortium Holdings Pte. Ltd ("**WCH**") of all the guaranteed obligations (which indirectly include the obligations of Aluminum & Power for its relevant funding contribution under the relevant shareholders agreement). As a long term mining project, there is no guarantee that we will receive or continue to receive the expected return from the investment. We may not have sufficient experience and expertise in iron ore mining business in and outside of the PRC. Any deterioration in the parties' cooperation, change in government policies and support, rise in production costs or reduction in market demand may adversely affect the profitability. Moreover, the joint ventures that we have entered into and may enter into in the future in connection with this project may entail a number of risks that could materially and adversely affect our business, results of operation and financial condition. See "– Our joint venture arrangements involve a number of uncertainties and risks, which could materially and adversely affect our business, financial condition and results of operations." Further, in the case of any natural disaster, social unrest, political instability or military action in the region, the operation of the project may be disrupted or suspended.

As the project progresses, various aspects may require registration or filing with, or approval, permit or consent from, the applicable government authorities, whether locally in Guinea or in the PRC. The success of obtaining such approval, permit or consent or completing such registration or filing depends on a number of factors beyond our control, including but not limited to the assessment results of the project and the national and local laws, regulations and government policies which are evolving and may be subject to future changes. We cannot assure you that we will be always able to complete such process with the relevant authorities, in which case the project may be impeded or suspended. Even if adjustments may be made to the project to fulfill the relevant requirement in certain circumstances, such adjustments will incur additional time and expenses and may not generate returns as we initially expected.

Meanwhile, in light of the amount of the guarantee provided, in the event WCH is not able to perform the guaranteed obligations and the guarantees are enforced, we may be required to pay a substantial sum to the relevant beneficiaries. We cannot assure you that we would be able to recover the relevant amount from WCH or the relevant parties subsequently. In such case, our financial positions and liquidity will be adversely affected.

If any of our large customers reduces its purchases of, or fails to pay for, our products, our business, financial condition and results of operations will be materially and adversely affected.

Our five largest customers accounted for approximately 56.6%, 53.3%, 44.9%, 47.3% and 43.6% of our revenue of continuing operations for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. Our largest customer accounted for approximately 38.3%, 38.0%, 33.8%, 35.2% and 32.1% of our revenue of continuing operations for the same respective periods.

Our business, financial condition and results of operations will continue to depend on: (i) our ability to continue to obtain purchase orders from our customers; (ii) the financial condition and commercial success of our customers; (iii) factors that affect the development of the aluminum production industry; and (iv) the overall economic environment in China and across the world. We cannot assure you that we will be able to retain any of our large customers or any other key customers. Any material delay or reduction in, or cancellation of, purchase orders from our key customers could cause our sales to decline significantly, and in any such event, our results of operations may be materially and adversely affected. We cannot assure you that these customers will place orders with us in the future at the same levels as in prior periods, or that any of these or future customers will not terminate their purchase agreements with us or significantly change, reduce, delay or cancel their purchase orders. If any of the foregoing events occurs, especially with respect to our large customers, there would be a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations also depend on the financial condition and commercial success of these customers. Although we have not experienced any material default or delay in payments by our customers, we cannot assure you that it will not occur in the future. If one or more of our large customers were to become insolvent or otherwise unable to pay for the products supplied by us, our business, financial condition, results of operations and business prospects would be materially and adversely affected.

In addition, one or more of our key customers may reorganize by means of a corporate spin-off, merger or otherwise. Any such reorganization could disrupt, slow down or otherwise materially affect their business and operations and, therefore, our revenue. Moreover, the entities resulting from such reorganization may change suppliers or sourcing policies. If any of our key customers decides to significantly change its procurement methods, or otherwise reduces or eliminates the purchase of our aluminum products, our revenue would decline significantly.

We derive a significant portion of our revenue of aluminum products through the sales of molten aluminum alloy.

All of our molten aluminum alloy customers are in close proximity to our relevant manufacturing bases. Our revenue generated from sales of molten aluminum alloy accounted for approximately 69.5%, 65.2%, 62.7%, 61.4% and 61.4% of our total revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. If demand for our molten aluminum alloy does not increase in line with our business plan or if such demand decreases, we will have to look for alternative customers for our other aluminum products. However, we may be unable to find alternative customers for our other aluminum products or at commercially acceptable prices on satisfactory terms in a timely manner, or at all, which would have a material adverse effect on our business, financial condition and results of operations.

If disruptions in our transportation network occur or our transportation costs substantially increase, we may be unable to deliver our products in a timely manner and our operating expenses could increase.

We are highly dependent upon third party logistics service providers to deliver our products to our customers. As we seek to closely match our inventory levels to our product demand, it is critical that our transportation systems function effectively and without delay. The transportation network is subject to disruption from a variety of causes, including operational inefficiencies, labor disputes or port strikes, acts of war or terrorism and natural disasters. In particular, as a hazardous good for transportation, the transport of our molten aluminum alloy may be delayed due to bad weather conditions, such as heavy 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 would 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.

We rely on a limited number of transport companies to deliver our molten aluminum alloy products to our customers and it may be difficult to find alternative carriers.

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.

We may require additional capital in the future, which may not be available to us on commercially acceptable terms in time, or at all.

Alumina and aluminum production facilities and thermal power stations are highly capital-intensive to construct and maintain. Our capital expenditures amounted to approximately RMB5,999.1 million, RMB8,848.4 million, RMB6,046.3 million (US$832.0 million), RMB2,776.0 million and RMB5,560.4 million (US$765.1 million) for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively, which were primarily used in the expansion of our production capacity, construction of the Yunnan green aluminum innovation industrial park project, lightweight material base, the Bohai science and innovation city industrial park project and our alumina manufacturing base in Indonesia. Our future capital requirements may be substantial as we may continue to seek to grow our business in the future. In addition, we cannot assure you that we will not have net current liabilities 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 capital requirements. From time to time, our plans may change due to changing circumstances, the development of our business, unforeseen contingencies or new opportunities, and we may not be able to implement our plans within our budget. If our plans do change, we may need to obtain additional external financing to meet our capital expenditure plans, which may include commercial bank borrowings or the issuance of equity or debt securities. Increases in interest rates might occur in the future. Increases in interest rates increase our financing costs. Any further tightening of liquidity in the global financial markets may also negatively affect our access to capital and liquidity. In the case of any global economic slowdown and turmoil in the financial markets, our access to financing channel may be restricted and our business, financial condition and results of operations may be adversely affected accordingly. In addition, if we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. We cannot assure you that we will be able to raise adequate financing to fund our future capital requirements on commercially acceptable terms in time, or at all.

We face intense competition in China.

The industry in which we operate in is highly competitive. Players in this industry generally compete with each other on factors such as reliability and quality of products, pricing, location of manufacturing site, time-to-market and available capacity. Some of our competitors may have longer track records and greater financial and other resources. There can be no assurance that we can continue to compete successfully in the future. In the event that we are unable to compete with other market players effectively, our business, financial condition, results of operations and prospects will be materially and adversely affected.

Our production capacity may not correspond precisely to the demand for our products.

On occasion, customers may require unusually rapid increases in output beyond our production capacity, and we may not have sufficient capacity at any given time to meet sharp increases in our customers' requirements. As a result, we may lose our customers and our reputation may be damaged. In addition, in the event that a customer reduces, defers or cancels its purchase orders after we have invested in increasing our capacity, our sales, profit margins and financial condition may be adversely affected because we may not be able to recover our expenditures for inventory purchased in preparation for customer orders and we may not be able to realize optimal asset utilization of our aluminum manufacturing facilities.

Our future success depends in part on our ability to retain our executive Directors and senior management.

Our future success depends significantly on the continuing services of our executive Directors and senior management of our Group, in particular, Mr. Zhang Bo, our chairman and executive Director and chief executive officer. Mr. Zhang Bo is critical to the development of our business and strategic direction. If any member of our executive Directors and senior management, whose names are set out in the section headed "Directors and Senior Management" in this Offering Circular, is unable or unwilling to continue in his or her present positions, we may not be able to replace such member easily in a timely manner or at all, or we may incur additional expenses to recruit, train and retain personnel. Moreover, if any of these key personnel joins a competitor, we may lose customers, suppliers and know-how as well as other key professionals and staff members. The loss of any key personnel by our Group could have a material adverse effect on our business, financial condition and results of operations.

Our results of operations may fluctuate from period to period.

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 and electricity, which frequently occur in our industry and which affect our margins and our ability to meet delivery schedules;
- our ability to obtain financing in a timely manner; and
- local conditions and events that may affect our production volumes, such as labor conditions, stability of electricity supply, political instability and local holidays.

Due to the factors mentioned above and other risks discussed in this section, many of which are beyond our control, our results of operations may fluctuate from period to period.

The interests of our Controlling Shareholders may differ from those of our Group and the holders of the Bonds, and they have the ability to cause us to make decisions that may not be in the best interests of the holders of the Bonds.

Our Controlling Shareholders currently beneficially owns approximately 64.44% in aggregate of the issued share capital of our Company. As such, our Controlling Shareholders have, and will continue to have, substantial influence over our business. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the interests of the holders of the Bonds.

We may not be able to adequately protect our intellectual property rights and some of our Group's members are in the process of obtaining valid land use rights certificates for certain properties.

Our success depends in part upon our intellectual property rights and know-how. However, we may not be able to adequately protect such intellectual property rights. In addition, any attempt to enforce our intellectual property rights, even if successful, could result in costly and prolonged litigation, divert our management's attention and adversely affect our financial performance. Failure to adequately protect our intellectual property may materially and adversely affect our results of operations as our competitors would be able to utilize such property without having to incur the costs of developing it, thus potentially reducing our relative profitability. Also, if we fail to effectively protect our brand name from inappropriate use by third parties in ways that adversely affect our brand name, our reputation could suffer damage, which in turn could have a material adverse effect on our business, financial condition and results of operations. Furthermore, we may be subject to claims that our technology infringes upon the intellectual property rights of other parties. Even if without merit, such claims could result in costly and prolonged litigation, divert management's attention, damage our reputation and materially and adversely affect our business, financial condition and results of operations. Furthermore, some of our Group's members are in the process of obtaining valid land use rights certificates for certain properties. If our Group cannot obtain the relevant certificates or permits in a timely manner and its legal right to use or occupy the relevant land is challenged, its operations on the affected land could be interrupted, which, in turn, may have an adverse effect on its business, financial condition and results of operations.

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may from time to time be involved in disputes with various parties involved in our 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 our 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 our Group to significant liabilities and materially and adversely affect our business, financial condition, results of operations and prospects.

Product liability claims against us could result in significant costs or negatively affect our reputation and could materially and adversely affect our business, financial condition and results of operations.

As of the date of this Offering Circular, 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.

Change in fair value of the compound derivative components of our January 2021 CB may impact our profit or loss.

We issued our US$300,000,000 5.25% convertible bonds due 2026 on 25 January 2021. The January 2021 CB which contains 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) is 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 January 2021 CB are recognised at fair value. The fair value of the compound derivative components of the January 2021 CB is 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 result in changes in the fair value of the compound derivative component, which could be substantial and have a significant impact on our profit or loss.

We may not have sufficient insurance coverage for the risks associated with our business operations.

Risks associated with our production include damage to production facilities, environmental pollution, transportation damages and delays, industrial damages and risks posed by natural disasters, any or all of which may result in losses to us. We may also be unable to obtain or maintain insurance policies covering risks associated with natural disasters, business interruption or environmental damages arising from our production activities. In addition, we do not have any product liability insurance. Therefore, if we incur any loss which is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our financial condition and results of operations could be adversely affected.

Any global or regional events or financial crisis could have a negative impact on the global economy, including the aluminum industry. Economic downturns could materially and adversely affect our business, liquidity, financial condition, results of operations and prospects.

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. In addition, in 2020, the United Kingdom officially exited the European Union and left the European Single Market and European Union Customs Union. Brexit may continue to create negative economic impact and increase volatility in global markets, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. In 2022, the military conflict between the Russian Federation and Ukraine is contributing to further increases in the prices of energy, oil and other commodities and to volatility in financial markets globally, as well as a new landscape in relation to international sanctions. From 2022 to 2023, the U.S. Federal Reserve raised its benchmark federal-funds rate by 5.25%, which materially impacted the outlook of global economy. Subsequently, in 2024, the U.S. Federal Reserve lowered its benchmark federal-funds rate by 1.0%. Moreover, there are ongoing concerns about European sovereign debt levels, political gridlock in the United States over government spending, debt levels and civil rights issues and the consequences for economic growth and investor confidence in the United States, and the uncertainty around the Federal Reserve's future monetary policies. As a result of such events, 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.

We face risks related to health epidemics and other outbreaks, including the COVID-19 pandemic.

Our business could be adversely affected by the effects of the ebola virus, H1N1 flu, H5N1 avian flu, Severe Acute Respiratory Syndrome (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 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 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 imposed travel restrictions and/or lockdown to contain its transmission. 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.

We were the subject of a number of negative reports in 2016 and 2017 and may face negative publicity or unfavorable research reports in the future.

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 purchased 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 23 November 2016 and 20 December 2016, 25 October 2017, 12 November 2017 and 14 November 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 taken necessary measures to protect our interest. 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 Bonds and our Shares, and further damage our Company's reputation, business and results of operations.

Our Shares were suspended from trading on the Hong Kong Stock Exchange from 22 March 2017 to 29 October 2017, our auditors were changed and the publication of our 2016 annual results and 2017 interim results were delayed.

As a result of the Negative Reports, we suspended trading in our shares on the Hong Kong Stock Exchange on 22 March 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 us 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 27 April 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 Repots, 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 our new auditors on 31 August 2017, we announced our annual results for 2016 and our interim results for 2017 on 27 October 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 30 October 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 Bonds 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.

Risks Relating to Our Industry

Changes in laws, regulations or enforcement policies in China could adversely affect our business.

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 from the relevant PRC administrative authorities for our construction and operation of alumina production facilities and power stations. Some of our Group's PRC subsidiaries are in the process of obtaining or renewing their qualification certificates. Such laws, regulations and enforcement policies are evolving and are subject to future changes. These changes could impact the business of China's aluminum product manufacturers. Furthermore, different regulatory authorities may have different interpretation and enforcement of the aluminum industry policies, which requires companies to meet the policies requirements issued by the relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies.

In recent years, the PRC government has been engaged in revising policies to reform the supply side of the aluminum industry. Of particular relevance, in April 2017, the NDRC, the Ministry of Industry and Information Technology, the Ministry of Land and Resources and the MOEE jointly issued the Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects (《清理整頓電解鋁行業違法違規項目專項行動工作方案的通知》), which was aimed at regulating unlawful electrolytic aluminum projects. As a result of this policy, our Group was required to reduce our production scale by shutting down relevant aluminum production facilities and ancillary facilities with annual production capacity of 2.68 million tons. Such reduction could have a material, adverse effect on our production, revenue and net profits going forward. For the year ended 31 December 2017, we made provision for impairment of assets of approximately RMB4,828.8 million related to our shutting down of these projects, which had a material adverse effect on our net profit for the year ended 31 December 2017.

Following a suspension of a portion of our production capacity as described above, our aggregate annual production capacity at our manufacturing bases fell from 7.44 million tons of aluminum products as of 31 December 2016 to 6.46 million tons (inclusive of newly installed production capacity of approximately 1.70 million tons) as of 31 December 2017.

The PRC government has also been issuing policies to strengthen air pollution control in recent years. For example, in September 2018, the Ministry of Ecology and Environment of the PRC, together with eleven other relevant national government authorities and six provincial governments, issued the Action Plan for Comprehensively Controlling Air Pollution in the Beijing-Tianjin-Hebei Region and Surrounding Areas in the Autumn and Winter of 2018-2019 (《京津冀及周邊地區 2018-2019 年秋冬季大氣污染綜合治理攻堅行動方案》), which was aimed at controlling air pollution and improving air quality in the Beijing-Tianjin-Hebei region and surrounding areas. In response to such policy, Binzhou City Economic and Information Commission and Binzhou City Environmental Protection Bureau published the List of Industrial Enterprises for Peak Production in the Autumn and Winter of 2018-2019 in Binzhou City (《濱州市2018-2019年秋冬季錯峰生產工業企業清單》) in November 2018, which required our Group to implement peak production by shutting down relevant aluminum and alumina production facilities during certain time periods in the winter season. As a result of such peak production, the aluminum production of our Group was reduced by 45,300 tons and the alumina production of our Group was reduced by 151,000 tons for the year ended 31 December 2018, which had an adverse effect on our revenue and net profit for the year ended 31 December 2018.

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, which could harm our reputation, subject us to liability claims and cause us to incur substantial costs.

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 with respect to China, the PRC economy and the global and PRC aluminum industries in this Offering Circular are derived from various official government sources and may not be reliable.

Certain facts and other statistics in this Offering Circular 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.

Legislation enacted in the Cayman Islands as to Economic Substance may affect our operations.

We are subject to Cayman Islands economic substance legislation ("**ESA**") requiring that where a company carries on a relevant activity (as defined in the ESA) it must maintain economic substance within the Cayman Islands, including adequate premises and employees within the Cayman Islands. As an entity subject to the ESA, we are required to assess our operations to determine the required compliance (if any) with the ESA, to file an annual notification with the Cayman Islands Registrar of Companies disclosing whether we are carrying out any relevant activities within the meaning of the ESA and an annual return with the Department of International Tax Co-Operation. Where applicable, we must establish that our operations satisfy the economic substance requirements of the ESA. We are required to monitor our operations to ensure we remain in compliance with all requirements under the ESA. Failure to satisfy these requirements may subject us to penalties under the ESA.

Legislation enacted in the British Virgin Islands as to Economic Substance may affect our subsidiaries operations.

With effect from 1 January 2019, the Economic Substance (Companies and Limited Partnerships) Act, 2018 (the "**ES Act**") came into force in the British Virgin Islands introducing certain economic substance requirements for in-scope British Virgin Islands entities which are engaged in certain "relevant activities", which in the case of companies incorporated before 1 January 2019, will apply in respect of financial years commencing 30 June 2019 onwards. On 12 March 2019, the Council of the European Union as part of this ongoing initiative, announced the results of its assessment of the 2018 implementation efforts by various countries under its review. Although it is presently anticipated that the ES Act will have little material impact on our subsidiaries, as the legislation is new and remains subject to further clarification and interpretation, it is not currently possible to ascertain the precise impact of these legislative changes on our subsidiaries.

Risks Relating to Doing Business in the PRC

Changes in China's economic, political and social conditions could adversely affect our business, financial condition and results of operations.

We conduct substantially all of our operations in China and derive a significant amount of our revenue from our operations in China. Accordingly, our business, financial condition, results of operations and prospects are materially affected by the economic, political and social conditions in China. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The PRC economy has grown significantly in recent years; however, we cannot assure you that such growth will continue. For example, the PRC government may take measures to tighten the control over bank lending from time to time in light of the prevailing economic and social conditions in China. Any adverse change in the economic, political and social conditions or government policies in China could have a material adverse effect on the overall economic growth, which in turn could lead to a reduction in demand for our aluminum products and consequently have a material adverse effect on our business, financial condition and results of operations.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

We conduct all of our manufacturing operations through our operating subsidiaries in China, which are generally subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Governmental control of currency conversion may affect the value of your investment.

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 Bonds. 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 (Hui Fa [2014] 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37號))(including its appendixes), or Circular 37, applies to our Company and relevant Controlling Shareholders 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 Bonds may be adversely affected.

We and/or our non-PRC subsidiaries may be treated as PRC tax resident enterprises and interest on or in respect of the Bonds and gain from the disposition of Bonds may be subject to PRC tax.

On 16 March 2007, the National People's Congress of the PRC passed the EIT Law, which took effect on 1 January 2008 and was amended on 29 December 2018. On 6 December 2007, the PRC government also adopted the Implementing Rules of the Enterprise Income Tax Law, or the Implementing Rules, which also took effect on 1 January 2008 and was amended on 23 April 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 investors have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business. Pursuant to the arrangement between the PRC government and the Hong Kong SAR, where a Hong Kong enterprise directly holds at least 25% of shareholding of a PRC enterprise, subject to certain approval and filing requirements, the withholding tax rate in respect to 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. Hongqiao Hong Kong currently owns all of the shares of Shandong Hongqiao, and we currently withhold 10% PRC tax from dividends paid by Shandong Hongqiao. However, there can be no assurance that dividends to Hongqiao Hong Kong will be eligible for such 10% withholding tax rate in the future. In addition, 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 on its global income, excluding dividends received from its PRC subsidiaries. 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). Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently take the position that we and our Hong Kong and BVI subsidiaries are not PRC resident enterprises for tax purposes. However, we cannot assure you that the tax authorities will agree with our position. All members of our management are currently located in the PRC, and we expect them to continue to be located in the PRC in the foreseeable future. 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 the PRC tax authorities determine that we or our Hong Kong or BVI subsidiaries should be classified as resident enterprises, our or our Hong Kong or BVI subsidiaries' global income, excluding dividends received from Shandong Hongqiao, will be subject to PRC income tax at a rate of 25%. PRC tax authorities in different districts may be inconsistent in classifying resident enterprises and non-resident enterprises. The imposition of PRC tax on our global income as a "resident enterprise" under the EIT Law could have a material adverse effect on our business, financial condition and results of operations. If we or the Subsidiary Guarantors are treated as a PRC resident enterprise, interest paid on the Bonds 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 Bonds might be subject to PRC tax, at a rate of 10% in the case of non-PRC resident enterprise holders and at a rate of 20% in the case of non-PRC individual holders. We will be required to pay Additional Amounts with respect to PRC withholding tax on interest payments, subject to certain exceptions. See "Terms and Conditions of the Bonds – Taxation". Any payment of Additional Amounts may have a material adverse effect on our financial condition and results of operations.

We face foreign exchange and conversion risks, and fluctuations in the value of the Renminbi may have a material adverse effect on your investment.

Although substantially all of our revenue is generated by our PRC operating subsidiaries and is denominated in Renminbi, we are required to settle all amounts due under the Bonds (including principal, premium, interest and redemption payments) in U.S. dollars. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Pursuant to reforms of the exchange rate system announced by the PBOC on 21 July 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from 18 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. From January 2014, Renminbi has depreciated against U.S. dollars, from approximately RMB6.05 per U.S. dollar to RMB7.19 per U.S. dollar on 29 November 2024. It is difficult to predict how the Renminbi exchange rates may change. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected. We cannot predict how and to what extent the exchange rate of the Renminbi will fluctuate in the future. To the extent that we need to convert U.S. dollars we receive from the offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on the value of the net proceeds we will receive from the offering in U.S. dollars, our business, financial condition and results of operations. Conversely, as we rely entirely on dividends paid to us by Shandong Hongqiao, any depreciation of the Renminbi may materially and adversely affect our ability to service the Bonds.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. We have entered certain swap contracts to manage our foreign exchange rate risks. Following the offering of the Bonds, we may enter into additional foreign exchange or interest rate hedging agreements with respect to our U.S. dollar-denominated liabilities under the Bonds. These hedging agreements may require us to pledge or transfer cash and other collateral to secure our obligations under the agreements, and the amount of collateral required may increase as a result of mark-to-market adjustments. Each of the Joint Lead Manager and their affiliates may enter into such hedging agreements permitted under the indenture governing the Bonds, and these agreements may be secured by pledges of our cash and other assets as permitted under the indenture governing the Bonds. 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 and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may be material to our financial condition and/or any of our subsidiaries and may be material in relation to the performance of our or their respective obligations under or in relation to the Bonds (if applicable), any indebtedness or any other present or future obligations and commitments.

Risks Relating to the Bonds, the Subsidiary Guarantees and the Shares

The Bonds and the Subsidiary Guarantees are unsecured obligations.

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

- the Company or any Subsidiary Guarantor enters into bankruptcy, liquidation, reorganization or other winding-up proceeding;
- there is a default in payment under secured indebtedness or other unsecured indebtedness of the Company or any Subsidiary Guarantor; or
- there is an acceleration of any indebtedness of the Company or any Subsidiary Guarantor.

If any of these events occur, the assets of the Company and the Subsidiary Guarantors may not be sufficient to pay amounts due on the Bonds and the Subsidiary Guarantees.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

We now have, and will continue to have after the offering of the Bonds, a substantial amount of indebtedness. See "Description of Other Material Indebtedness." Our substantial indebtedness could have important consequences to you. For example, it could:

- limit our ability to satisfy our obligations under the Bonds 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. 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, our existing financing agreements may prohibit 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 our 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 Bonds and other debt.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, including the Bonds, 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 Bonds, or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness, including the Bonds, on or before maturity. We might not be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Bondholders will have no rights as holders of the Shares prior to conversion of the Bonds, but are subject to changes made with respect to the Shares.

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds and are themselves registered as holders thereof, Bondholders would have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to our articles of association requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion. Upon conversion of the Bonds and registration as a holder of the Shares, these holders would be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

Securities law restrictions on the resale and conversion of the Bonds may limit Bondholders' ability to sell the Bonds in the United States.

The Bonds and the Shares into which the Bonds are convertible have not been and will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction. Unless and until they are registered, the Bonds and the Shares issuable upon conversion may not be offered, sold or resold except pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws. The Bonds are being offered and sold outside the U.S. in reliance on Regulation S under the Securities Act. Hence, future resales of the Bonds and the Shares into which the Bonds are convertible may only be made pursuant to an exemption from registration under the Securities Act and applicable state laws or in a transaction not subject to such laws.

The Bondholders may be subject to tax on their income or gain from the Bonds.

Prospective purchasers of the Bonds are advised to consult their own tax advisers concerning the overall tax consequences of the acquisition, ownership or disposition (including upon conversion of the Bonds) of the Bonds or the Shares. See "Taxation" for certain Cayman Islands, BVI, Hong Kong and PRC tax consequences.

The market value and liquidity of the Bonds may fluctuate.

Trading prices and trading volume of the Bonds are influenced by numerous factors, including the results of operations and/or financial condition and business strategy (in particular further issuance of debt or corporate events such as share sales, reorganisations, takeovers or share buybacks) of our Group and/or our subsidiaries and/or associated companies, political, economic, financial, regulatory and any other factors that can affect the capital markets, the industry, our Group and/or our subsidiaries and/or associated companies generally. Adverse economic developments in the PRC could have a material and adverse effect on the results of operations and/or the financial condition of our Group and/or our subsidiaries and/or associated companies. Any such developments may result in large and sudden changes in the price and volume at which the Bonds will trade. We cannot assure you that these developments will not occur in the future.

In addition, the market price of the Bonds at any time will be affected by fluctuations in the market price of the Shares. The Shares are currently primary listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of such Shares for future issue or sale, would have on the market price of the Shares prevailing from time to time and therefore on the market price of the Bonds. Disposals of Shares by shareholders or a perception in the market that such disposals could occur, may adversely affect the prevailing market price of the Shares and the Bonds. The market price of the Shares will also be influenced by our operational results (which in turn are subject to the various risks to which our businesses and operations are subject) and by other factors such as changes in the regulatory environment that may affect the markets in which we operate and the capital markets in general. Corporate events such as reorganisations, takeovers or share buy-backs may also adversely affect the market price of the Shares. Any decline in the market price of the Shares could adversely affect the market price of the Bonds.

Furthermore, investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

The return on the Bonds may decrease due to inflation.

Bondholders may suffer erosion on the return of their investments due to inflation. Bondholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Bonds. An unexpected increase in inflation could reduce the actual returns.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. An application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange. However, no assurance can be given that an active trading market for the Bonds would develop or as to the liquidity or sustainability of any such market, the ability of Bondholders to sell their Bonds or the price at which Bondholders would be able to sell their Bonds. If an active market for the Bonds fails to develop or be sustained, the trading price of the Bonds could fall.

If an active trading market were to develop, the Bonds could trade at prices that may be lower than their initial offering price. Whether or not the Bonds would trade at lower prices depends on many factors, including, but not limited to:

- prevailing interest rates and the markets for similar securities;
- general economic, market and political conditions;
- the price of the Shares, or the market prices of the Bonds;
- the publication of earnings estimates or other research reports and speculation in the press or the investment community;
- the Group's financial condition and historical financial performance and future prospects; or
- changes in the industry and competition affecting our Group.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless he/she has the expertise (either alone or with a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

The Bonds contain provisions regarding modification and waivers, which could affect the rights of Bondholders.

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interest of individual holders of the Bonds.

The Conditions also provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification (other than in respect of certain reserved matters) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement and/or the Trust Deed which in the opinion of the Trustee would not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Agency Agreement or the Trust Deed which is in the Trustee's opinion of a formal, minor or technical nature or is to correct a manifest error or to comply with mandatory provisions of law.

If we or any of our subsidiaries are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated.

If we or any of our subsidiaries are unable to comply with the restrictions and covenants or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, a default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under our Company's or such subsidiary's other debt agreements. If any of these events occur, there is no assurance that we would have sufficient assets and cash flow to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we could not guarantee that it would be on terms that are favourable or acceptable to us.

We may redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest in the event we are required to pay additional amounts because we are treated as a PRC "resident enterprise".

In the event we are treated as a PRC "resident enterprise" under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Bond of such amounts as would have been received by the holder had no such withholding been required. As described in Condition 8(B) (*Redemption for Taxation Reasons*) of the Conditions, in the event we are required to pay additional amounts as a result of certain changes in specified tax laws or any change in the general application or official interpretation of such laws and regulations, which change or amendment becomes effective on or after the Issue Date, such as a change that results in our being required to withhold tax on interest payments as a result of our being treated as a PRC "resident enterprise", we may, subject to Condition 8(B) (*Redemption for Taxation Reasons*) of the Conditions, redeem the Bonds in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

The Bonds may be early redeemed at our option.

We may, on giving an Optional Redemption Notice to the Bondholders, the Agents, and the Trustee, at any time redeem all but not some only of the Bonds for the time being outstanding at the principal amount together with interest accrued but unpaid up to but excluding the date fixed for redemption: (i) at any time after 26 March 2028, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate (as defined in the Conditions)) for 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date of the Optional Redemption Notice, was at least 125 per cent. of the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate (as defined in the Conditions)) then applicable, or (ii) at any time, if prior to the date the Optional Redemption Notice is given, at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 15 of the Conditions and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled. We will also, at the option of the holder of any Bond, redeem all or some only of such holders' Bonds on the Put Option Date at a price equal to 100 per cent. of the principal amount thereof, together with accrued and unpaid interest up to but excluding the Put Option Date. Following the occurrence of a Relevant Event (as defined in the Conditions), the holder of each Bond will also have the right at such holder's option, to require us to redeem all, or some only, of such holder's Bonds on the Relevant Event Redemption Date (as defined in the Conditions) at a price equal to their principal amount, together with interest accrued and unpaid up to but excluding the date fixed for redemption. We may redeem the Bonds in whole for taxation purposes. As a result, the trading price of the Bonds may be affected when the redemption options of our Company become exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds.

The interpretation of the NDRC Order 56 may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. Any failure to complete the relevant filings and/registration under the NDRC Order 56 within the prescribed timeframes may have adverse consequences for our Company and/or the investors of the Bonds.

The NDRC issued the NDRC Order 56 on 5 January 2023, which came into effect on 10 February 2023. According to the NDRC Order 56, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with a term not less than one year issued outside the PRC with the NDRC prior to the issue of the securities, and notify the particulars of the relevant issues within the timeframe prescribed by the NDRC after the completion of the relevant issue.

Under the NDRC Order 56, our Company shall, (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance or the expiration of the certificate with respect to the Bonds in accordance with the NDRC Order 56, (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations.

Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under articles 24 and 26 of the NDRC Order 56 may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the "Credit China" website and the national enterprise credit information publicity system, among others.

Our Company undertakes to file or cause to be filed with the NDRC within the relevant prescribed timeframes after the issue date the requisite information and documents in respect of the Bonds in accordance with the NDRC Order 56 and any implementation rules or policies as issued by the NDRC from time to time. However, the NDRC Order 56 is new and its implementation may involve significant uncertainty. The administration and enforcement of the NDRC Order 56 may be subject to executive and policy discretion of the NDRC. While the NDRC Order 56 has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Order 56, the NDRC Order 56 is silent on whether any such non-compliance would affect the validity and enforceability of the Bonds. There is no assurance that the failure to comply with the NDRC Order 56 would not result in adverse consequences on the our Company's ability to perform in accordance with the Description of the Bonds or the enforceability of the Bonds.

There may be filing or other requirements of the CSRC or other PRC government authorities in relation to our proposed issuance of the Bonds or further capital raise activities.

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC (the "**CSRC Filing Rules**"), which came into effect on 31 March 2023. The CSRC Filing Rules will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. The CSRC Filing Rules state that, any post-listing follow-on offering by an issuer in an overseas market, including issuance of shares, convertible bonds and other similar securities, shall be subject to filing requirement within three business days after the completion of the offering. In connection with the CSRC Filing Rules, on 17 February 2023 the CSRC also published the Notice on the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》)(the "**Notice on Overseas Listing Measures**"). According to the Notice on Overseas Listing Measures, issuers that have already been listed in an overseas market by 31 March 2023, the date the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) became effective, are not required to make any immediate filing and are only required to comply with the filing requirements under the CSRC Filing Rules when it subsequently seeks to conduct a follow-on offering. The CSRC Filing Rules provide that an overseas offering and listing, including the follow-on offering of convertible bonds, is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller (the "**Forbidden Circumstances**"). In addition, in the process of filing, where the issuer may be under any of the Forbidden Circumstances, the CSRC may solicit the opinions of the competent government authorities under the State Council.

We will comply with applicable filing requirements if applicable. However, there remains substantial uncertainty as to their interpretation, application and enforcement of the CSRC Filing Rules and how they will affect our operations and our future financing. We cannot assure you that we are able to meet such requirements, obtain such permit from the relevant government authorities, or complete such filing in a timely manner or at all. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us. If it is determined that we are subject to any approval, filing, other governmental authorisation or requirements from the CSRC or other PRC government authorities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial condition.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Bonds depends largely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE.

Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% withholding tax or lower tax treaty rate on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our obligations under the Bonds.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

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 Bonds. 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 Bonds 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 Bonds.

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 1 January 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 Bonds or satisfy our obligations under the guarantees for the Bonds, and there could be restrictions on payments required to redeem the Bonds at maturity or as required for any early redemption.

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 Bonds or the obligations of the guarantors under the guarantees. Should we be unable to make due payments under the terms of the Bonds, the Bondholders would need to rely on the Trustee to take enforcement actions to recover their investment in the Bonds, the prospects of which are uncertain.

The Bonds and the Subsidiary Guarantees will be structurally subordinated to subsidiary debt.

We are a holding company with no material operations. We conduct our operations primarily through our PRC subsidiaries and operating companies in other countries such as Indonesia. The Bonds will not be guaranteed by any current or future PRC subsidiaries and certain of our offshore subsidiaries such as the Indonesian Alumina Joint Venture Company and its subsidiaries. In addition, our Company may elect to have any future offshore subsidiary not provide Subsidiary Guarantee if certain conditions are met. Our primary assets are ownership interests in our PRC and Indonesian subsidiaries, which are held through our subsidiaries incorporated outside the PRC and Indonesia. On the Issue Date, all of such subsidiaries directly or indirectly owning our PRC subsidiaries (but not our Indonesian subsidiaries) will guarantee the Bonds. The Subsidiary Guarantors do not have material operations either. Accordingly, our ability to pay principal and interest on the Bonds and the ability of the Subsidiary Guarantors to satisfy their obligations under their guarantees will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries. In addition, we are permitted to designate certain of our offshore subsidiaries as non-guarantor subsidiaries. Payments under the Bonds and the Subsidiary Guarantees will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of our subsidiaries, and to all secured creditors of our Company and the Subsidiary Guarantors. In the event of an insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the business of any subsidiary of our Company or the Subsidiary Guarantors, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to us or the Subsidiary Guarantors (as the case may be).

We may not have the ability to redeem the Bonds.

Bondholders may require our Company, subject to certain conditions, to redeem for cash some or all of their Bonds at the option of the Bondholders upon a Relevant Event (as described in Condition 8(E) (*Redemption for Delisting or Change of Control*) of the Conditions) or on the Put Option Date (as described in Condition 8(D) (*Redemption at the option of the Bondholders*) of the Conditions). We may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. Our ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by our Company would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by us.

Our Subsidiary Guarantors may not have the funds necessary to satisfy our financial obligations under the Bonds.

None of our current PRC or Indonesian subsidiaries will provide a guarantee for the Bonds either upon issuance of the Bonds or at any time thereafter. None of our future subsidiaries that are organized under the laws of the PRC will provide a guarantee for the Bonds at any time in the future. As a result, the Bonds will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such other non-guarantor subsidiaries. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become guarantors in the future will have the funds necessary to satisfy our financial obligations under the Bonds if we are unable to do so.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances (including, without limitation, being requested or directed by the Bondholders pursuant to Conditions 10 (*Events of Default*) and 12 (*Enforcement*) of the Conditions), the Trustee may, at its sole discretion, request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes any actions, steps, and/or institutes any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such actions, steps, and/or institute any such proceedings if it is not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding could be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take any actions, steps, or institutes any proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed, the Agency Agreement, and/or the Conditions and in such circumstances, to the extent permitted by the agreements and the applicable law and regulations, it would be for the Bondholders to take such actions, steps, or institute such proceedings directly.

Exchange rate risks and exchange controls may affect an investor's returns on the Bonds.

We will pay principal on the Bonds in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency-equivalent yield on the Bonds; (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency-equivalent market value of the Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less principal than expected, or no principal.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent:

- the Bonds are legal investments for it;
- the Bonds can be used as collateral for various types of borrowing; and
- any other restrictions apply to its purchase or pledge of the Bonds.

For example, on 28 October 2024, the U.S. Department of Treasury issued the final rules to implement the Executive Order 14105, which came into effect on 2 January 2025 (the "**Final Rules**"). U.S. persons will be prohibited from knowingly engaging in, or be required to notify the U.S. Treasury regarding, a broad range of transactions involving relating to semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems ("**Covered Activities**") in "countries of concern" (presently limited to mainland China, Hong Kong, and Macau). Investment activities that are affected by the Final Rules may be carried out in the form of, among others, acquisition of an equity interest or contingent equity interest in a Covered Foreign Person (as defined in the Final Rules) and conversion of a contingent equity interest into an equity interest in a Covered Foreign Person, such as an investment in convertible securities of an entity engaging in any Covered Activities and subsequent exercise of conversion right. In addition, on 21 February 2025, U.S. President Donald J. Trump issued a memo entitled the "America First Investment Policy" (the "**America First Memo**"). The America First Memo states that Executive Order 14105 is under review by the Administration and that the review will consider new or expanded restrictions on United States outbound investment in China in sectors such as semiconductors, artificial intelligence, quantum, biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and other areas implicated by China's national Military-Civil Fusion strategy. The America First Memo also states that the review will consider applying restrictions on investment types including private equity, venture capital, greenfield investments, corporate expansions, and investments in publicly traded securities, from sources including pension funds, university endowments, and other limited-partner investors.

As of the date of this Offering Circular, the Company, the Subsidiary Guarantors and their respective controlled affiliates do not engage in any Covered Activities and the Company and the Subsidiary Guarantors are of the view that investments in its securities will not be restricted under the Final Rules and will not give rise to a notification obligation of U.S. investors. However, the complexity and technicality involved in the interpretation of certain definitions in the Final Rules and the fact that the rules are new and remain untested are likely to cause great uncertainties in law implementation and compliance. There is no assurance that such classification of the business of the Group within the framework of the Final Rules will align with the determination made by U.S. regulators. If any of its businesses is found to be a notifiable transaction, certain U.S. investors may need to make an electronic notification to Treasury following the completion of the offering of the Bonds or following the exercise of the conversion rights of the Bonds.

In addition, the recent change in U.S. presidential administration, evolving national security-related concerns, technological developments, and geopolitical events could impact implementation of, and result in enactment of additional laws and regulations, and changes to the Final Rules and/or the America First Memo and/or other regulations, which could take place during the life of the Bonds. Such changes could result in potential impacts on the Group's operations and transactions that it enters into in the future. They could also have impacts on exercise of the conversion rights of the Bonds by investors, which in turn affecting the liquidity and value of the Bonds. Investors should exercise caution on any potential investment restrictions or compliance obligations that may result from such changes in the future. If the Company, the Subsidiary Guarantors or any of their respective controlled affiliates becomes a Covered Foreign Person as a result of its business expansion during the life of the Bonds, conversion of the Bonds by certain investors may be subject to the notification requirement under the Final Rules or be prohibited in an extreme case.

Bondholders have limited anti-dilution protection.

The Conversion Price (as defined in the Conditions) of the Bonds will be adjusted on the occurrence of certain events, including a consolidation, subdivision or reclassification of Shares, capitalization of profits or reserves, capital distributions, rights issue of Shares or options over Shares, rights issue of other securities or other events as specified in the Condition 6 (*Conversion*) of the Conditions. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Shares. Events in respect of which no adjustment is made may adversely affect the value of the Shares and therefore, adversely affect the value of the Bonds.

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders.

The conversion of some or all of the Bonds will dilute the ownership interests of existing Shareholders. Any sales in the public market of the Shares issuable upon such conversion could affect prevailing market prices for the Shares. In addition, the conversion of the Bonds might encourage short selling of the Shares by market participants.

Short selling of the Shares by Bondholders could materially and adversely affect the market price of the Shares.

The issuance of the Bonds may result in downward pressure on the market price of the Shares. Investors in convertible securities may seek to hedge their exposure in the underlying equity securities, often through short selling of the underlying equity securities or similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares owned by an investor as well as on the trading price of the Bonds.

Future issuances of Shares or equity-related securities may depress the trading price of the Shares.

Any issuance of our equity securities after the offering of the Bonds could dilute the interest of our existing shareholders and could substantially decrease the trading price of the Shares. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategies (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt-to-equity, to satisfy our obligations upon the exercise of outstanding warrants, options or other convertible bonds or for other reasons. Sales of a substantial number of Shares or other equity-related securities in the public market (or the perception that such sales may occur) could depress the market price of the Shares and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of the Shares or other equity-related securities would have on the market price of the Shares. In addition, the price of the Shares could be affected by possible sales of the Shares by investors who view the Bonds as a more attractive means of obtaining equity participation in our Company and by hedging or engaging in arbitrage trading activity involving the Bonds.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of any other jurisdiction with which the Bondholders are familiar.

Because we and our Subsidiary Guarantors are incorporated under the laws of the Cayman Islands, the British Virgin Islands or Hong Kong, an insolvency proceeding relating to us or any such guarantor, even if brought in other jurisdictions, would likely involve Cayman Islands, British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of insolvency laws in other jurisdictions with which the Bondholders are familiar. In addition, we conduct substantially all of our business operations through subsidiaries in China. The Subsidiary Guarantors, as equity shareholders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the Bondholder are familiar. Investors should analyse the risks and uncertainties carefully before investing in the Bonds.

The guarantees may be challenged under applicable insolvency, fraudulent transfer or similar laws, which could impair the enforceability of the guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency laws in the British Virgin Islands or bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the Cayman Islands, Hong Kong and other jurisdictions where future guarantors may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

For guarantors incorporated in the British Virgin Islands:

- incurred the debt with the intent to hinder, delay or defraud creditors (whenever the transaction took place, and irrespective of insolvency);

- was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor or received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- in the case of the second and third bullet points above, a guarantee will only be voidable if it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvent in this context under the British Virgin Islands law means that the guarantor is unable to pay its debts as they fall due or that the value of the guarantor's liabilities exceeds its assets. Additionally, a guarantee will only be vulnerable if it is given within the six month period preceding the commencement of liquidation, or, under some circumstances, within a longer period.

For guarantors incorporated in other jurisdictions:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

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 Bonds 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 Bonds.

It may be difficult to effect service of process or to enforce any judgments obtained from non-PRC courts against the Group in the PRC.

The Conditions of the Bonds and the transaction documents are governed by English law and the Company and the Subsidiary Guarantors have submitted to the exclusive jurisdiction of the English courts. However, most companies in the Group are incorporated in the PRC and a substantial amount of the Group's assets and companies are located in the PRC. Therefore, investors may encounter difficulties in effecting service of process and/or enforcing any judgements obtained from outside the PRC upon the Group.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process and/or enforce any judgements obtained from outside the PRC upon the Group in the PRC.

The Bonds will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System.

The Bonds will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depositary for Euroclear and Clearstream (each of Euroclear and Clearstream, a "**Clearing System**" and together the "**Clearing Systems**"). Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, we will discharge our payment obligations under the Bonds by making payments to the common depositary for the Clearing Systems, for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

We will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

Certain facts and statistics are derived from publications not independently verified by us, the Joint Lead Managers, the Trustee, the Agents or any of our or their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them.

Facts and statistics in this Offering Circular relating to China's economy and the property industry are derived from various official or other publications available in China. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Joint Lead Managers, the Trustee, the Agents or any of our or their respective directors, officers, employees, agents, representatives, advisers or affiliates or any person who controls any of them and, therefore, we and they 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 calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

There may be less publicly available information about us than is available in certain other jurisdictions.

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements are prepared and presented in accordance with IFRS, which differ in certain respects from the generally accepted accounting principles in other jurisdictions which might be material to the financial information contained in this Offering Circular. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between IFRS and generally accepted accounting principles in other jurisdictions.

USE OF PROCEEDS

The net proceeds of this offering, after deducting the underwriting commissions and other estimated expenses payable in connection with this offering, are estimated to be approximately US$294.58 million. We intend to apply the net proceeds from this offering for refinancing existing offshore indebtedness and general corporate purposes.

EXCHANGE RATE INFORMATION

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9% from 21 July 2005 to 31 December 2013. On 17 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, China Foreign Exchange Trade System (the "**CFETS**"), a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The Renminbi continued to experience further fluctuation in value against the U.S. dollar in 2019. On 5 August 2019, the PBOC set the Renminbi daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. From the beginning of the fourth quarter of 2019 towards the beginning of 2020, Renminbi started to appreciate against the U.S. dollar as Sino-US trade war tension started to ease with Phase One Deal signed in January 2020, as well as the Federal Reserve's dovish policy with three rate cuts during second half of 2019. In February 2020, however, Renminbi began to depreciate due to the impact of COVID-19 on the PRC, falling below the level of 7.0 Renminbi per U.S. dollar again. From March 2020, COVID-19 spread rapidly to the whole world, strengthening the safe-haven currencies like the U.S. dollar as market took on a more risk-averse tone, leading to Renminbi's depreciation against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

Although the PRC governmental policies have been introduced in recent years to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of the State Administration of Foreign Exchange or its branches and other relevant authorities.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods presented:

Period	Noon Buying Rate			
	End	Average[1]	High	Low
	(RMB per US$1.00)			
2019	6.9618	6.9081	7.1786	6.9822
2020	6.5250	6.9042	7.1681	6.5208
2021	6.3726	6.4508	6.5716	6.3435
2022	6.8972	6.7290	7.3048	6.3048
2023	7.0999	7.0809	7.3430	6.7010
2024	7.2993	7.1957	7.2993	7.0106
2025				
January	7.2422	7.2957	7.3326	7.2422
February	7.2828	7.2734	7.3088	7.2422
March (through 14 March)	7.2377	7.2487	7.2843	7.2278

(1) Annual averages and monthly averages have been calculated using the average of the daily rates during the relevant period.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated borrowings and capitalization as of 30 June 2024, on an adjusted basis to give effect to the issuance of the Bonds and receipt of the gross proceeds from the offering of the Bonds before deducting the underwriting commissions and other estimated expenses relating to such offering payable by us, but without giving effect to any refinancing of our indebtedness.

You should read this table in conjunction with our consolidated financial statements and the related notes included elsewhere in this Offering Circular.

	As of 30 June 2024			
	Actual		As Adjusted for the Bonds	
	RMB	US$	RMB	US$
	(in thousands)			
Total bank borrowings – due within one year	34,432,866	4,738,120	34,432,866	4,738,120
Total bank borrowings – due after one year	9,610,407	1,322,436	9,610,407	1,322,436
Short-term debentures and notes	7,000,000	963,232	7,000,000	963,232
Medium-term debentures and bonds – due within one year	5,511,900	758,463	5,511,900	758,463
Medium-term debentures and bonds – due after one year	7,782,073	1,070,849	7,782,073	1,070,849
Guaranteed notes – due within one year	2,125,961	292,542	2,125,961	292,542
Bonds to be issued	–	–	2,180,160	300,000
Convertible bonds – liability component	2,044,529	281,337	2,044,529	281,337
Convertible bonds – derivative component	1,934,343	266,174	1,934,343	266,174
Total debt(1)	70,442,079	9,693,153	73,622,239	9,993,153
Equity				
Capital and reserves				
Share capital	618,881	85,161	618,881	85,161
Reserves	99,152,963	13,643,902	99,152,963	13,643,902
Equity attributable to owners of the Company	99,771,844	13,729,063	99,771,844	13,729,063
Non-controlling interests	10,303,631	1,417,827	10,303,631	1,417,827
Total equity	110,075,475	15,146,889	110,075,475	15,146,889
Total capitalization(2)	180,517,554	24,840,042	182,915,730	25,170,042

(1) We entered into the CBI August 2024 Facility in an amount up to US$40 million (or its equivalent in HK$ or CNH) in August 2024 and issued January 2025 Notes in an initial principal amount of US$330 million in January 2025, which are not reflected in the table above.

(2) Total capitalization equals total debt plus total equity.

As of 30 June 2024, our total cash and cash equivalents (excluding restricted cash) amounted to RMB37,501.6 million (US$5,160.4 million). Our cash and cash equivalents were mainly held in RMB and U.S. dollars, with approximately 92.5% held in RMB and approximately 7.1% held in U.S. dollars.

As of 30 June 2024,

- we had approximately RMB70,442.1 million (US$9,693.2 million) of consolidated indebtedness outstanding, of which approximately RMB12,213.1 million (US$1,680.6 million) was secured;

- we had offshore outstanding secured indebtedness in principal amounts totaling approximately US$255.3 million. See "Description of Other Material Indebtedness – Offshore Financing;" and

- our PRC subsidiaries had indebtedness of approximately RMB59,762.8 million (US$8,223.6 million). In addition, these PRC subsidiaries had capital commitments of approximately RMB7,531.8 million (US$1,036.4 million).

Since 30 June 2024, we have continued to enter into short-term and long-term borrowings during our ordinary course of business to finance our operations. See "Description of Other Material Indebtedness", including without limitation, the CBI August 2024 Facility in an amount up to US$40 million (or its equivalent in HK$ or CNH).

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in our indebtedness or capitalization since 30 June 2024.

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 Bonds and no representation is given as to its accuracy. Accordingly, such information should not be unduly relied upon.

Overview

The aluminum industry is the world's second largest metals industry, after steel. The global consumption of primary aluminum in the year of 2023 was approximately 70.1 million tons according to Antaike, representing an increase of approximately 0.9% from the previous year. Primary aluminum is made from alumina (which is typically made from bauxite). Primary aluminum is processed into various fabricated products, such as rolled sheet, coil and plate, extruded bars and sections, wire-rod, castings and forgings.

Aluminum has a relatively short history as an industrial metal. Its widespread use only became viable in the late 19th century, with the discovery of the Hall-Heroult process for the electrolytic smelting of aluminum, and the Bayer process for the production of alumina. Both processes are still in use today as the main (indeed almost exclusive) processes for producing aluminum and alumina.

Aluminum is an abundant element in nature, and its principal commercial ore is bauxite. Bauxite is largely found in tropical areas of the world, with the main global reserves located in Guinea, Australia, Brazil, Vietnam and Jamaica. From bauxite, aluminum is produced in two stages. Bauxite is processed in an alumina refinery to produce alumina (Al_2O_3), an oxide of aluminum. Other than being used to produce alumina, bauxite can be used to produce alumina cement, refractory materials, or be used in casting. Alumina is then processed into primary aluminum in an electrolytic smelter. There are two smelting technologies involved in the electrolytic process commonly used to produce primary aluminum: the "Söderberg" or "self-baking" technology and the "pre-baked" technology. According to Antaike, all production facilities using the "Söderberg" or "self-baking" technology have been eliminated in the PRC, due to its higher electricity consumption and pollutive emissions compared to the "pre-baked" technology. Aluminum produced through smelting is called primary aluminum and aluminum produced by refining waste aluminum products is called secondary aluminum. As an industry standard, primary aluminum includes pure aluminum and aluminum alloy. Primary aluminum products are categorized as upstream aluminum products in this Offering Circular. Our aluminum products mainly consist of molten aluminum alloy, aluminum alloy ingots and aluminum fabrication products. Our other products include alumina and steam.

Aluminum and aluminum alloys have a broad range of end-uses. Currently, the main uses of aluminum and aluminum alloys include construction (windows, doors, cladding, façades), transport (in road vehicles, aircraft, railcars and marine uses), electrical (cable and wire), consumer durables, and others.

Global Aluminum Industry

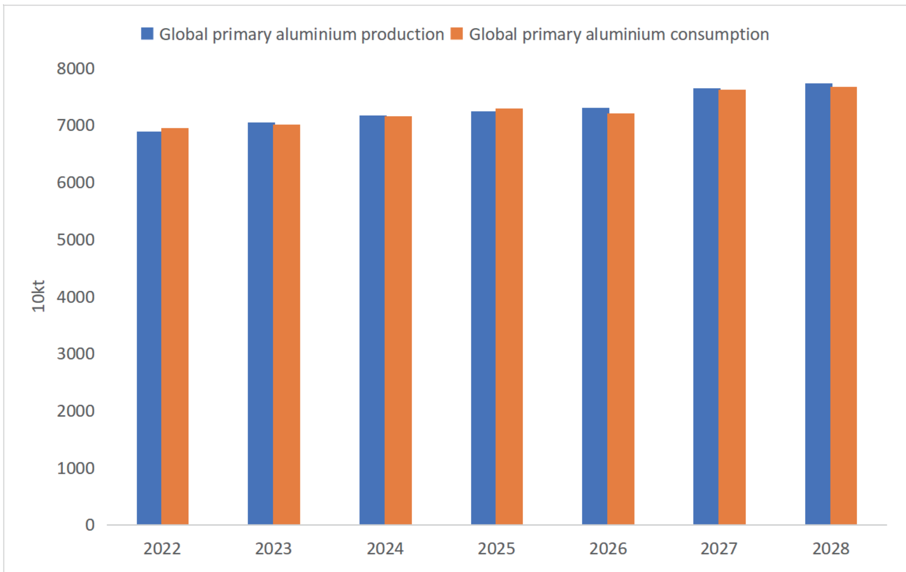
With broad end-use markets, aluminum consumption has been particularly linked to GDP growth.

From 2012 to 2023, worldwide consumption of primary aluminum grew at a CAGR of 3.7%, mainly driven by strong demand from emerging markets, partially from China, Russia, India and Brazil. With the rapid recovery of the economy in the post-epidemic era, the global consumption of primary aluminum increased by 0.9% in 2023 compared to 2022.

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 2023, China's primary aluminum consumption has accounted for 61.1% of the global consumption.

According to Antaike, overseas consumption of primary aluminum in 2023 was 27.3 million tons, decreased by 3.9% over the previous year, representing 38.9% of the world's total primary aluminum consumption.

Antaike forecasts that primary aluminum consumption between 2024 and 2028 will grow at a CAGR of 1.8% globally (as the following chart shows).



Source: Antaike

PRC ALUMINUM INDUSTRY

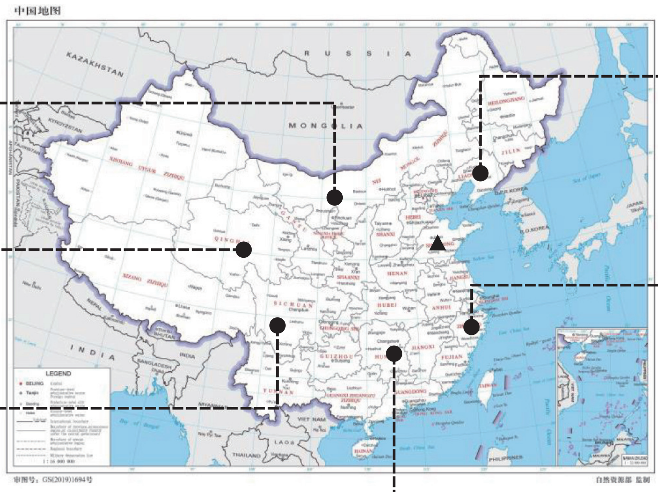
Geographical Distribution of Aluminum Production in China

The map below shows the geographical distribution of aluminum production in China for 2023 (as percentages of total production and downstream fabricated products produced in China):

NORTH
- Production
  - Alumina: 25.7%
  - Primary aluminum: 18.1%
  - Fabricated products: 7.5%
- Key aluminum provinces: Shanxi, Inner Mongolia

NORTH-WEST
- Production
  - Alumina: NA
  - Primary aluminum: 34.0%
  - Fabricated products: 7.7%
- Key aluminum provinces: Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang

SOUTH-WEST
- Production
  - Alumina: 10.2%
  - Primary aluminum: 17.1%
  - Fabricated products: 8.1%
- Key aluminum provinces: Sichuan, Chongqing, Yunnan, Guizhou



▲ Hongqiao Group

NORTH-EAST
- Production
  - Alumina: NA
  - Primary aluminum: 1.1%
  - Fabricated products: 2.1%
- Key aluminum province: Liaoning

EAST (including Shandong)
- Production
  - Alumina: 36.1%
  - Primary aluminum: 18.1%
  - Fabricated products: 39.6%
- Key aluminum provinces: Shandong, Fujian

MID-SOUTH
- Production
  - Alumina: 28.0%
  - Primary aluminum: 11.7%
  - Fabricated products: 35.0%
- Key aluminum provinces: Henan, Guangxi, Hubei

Source: Antaike

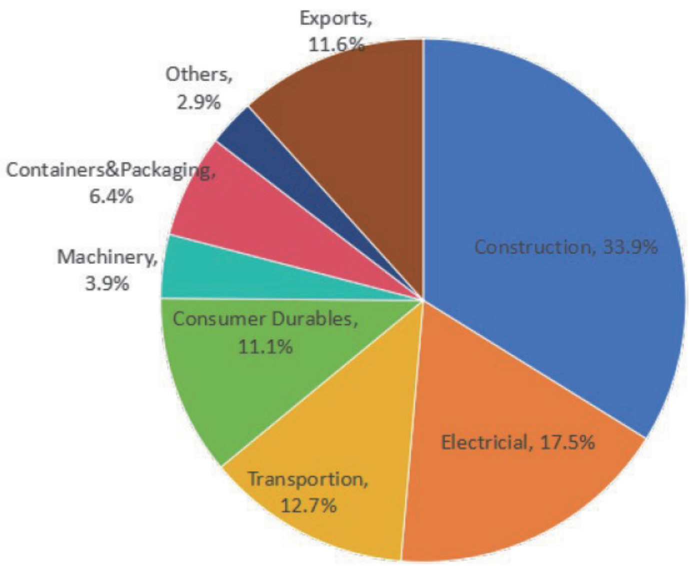
Notes: Definition of the regions is provided by Antaike as follow:
East region – Shandong, Jiangsu, Anhui, Zhejiang, Jiangxi, Fujian and Shanghai
North-east region – Heilongjiang, Jilin and Liaoning
Mid-south region – Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan
South-west region – Sichuan, Yunnan,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

As of 31 December 2023, Chinese aluminum manufacturers are distributed across 17 provinces and municipality 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 18.1% of the country's primary aluminum production for 2023. Within this region, the Yangtze River Delta is one of the most important and developed economic and manufacturing center in China. Meanwhile, primary aluminum production in South-west China region also accounted for 17.1% of the country's primary aluminum production for 2023.

Strong domestic demand

Aluminum consumption in China has experienced rapid growth in the last two decades due to strong and continuous economic growth. According to the National Bureau of Statistics of China, China's gross domestic product expanded at a CAGR of approximately 11.4%, from RMB16,184.0 billion in 2004 to RMB126,058.2 billion in 2023. Although China's rate of economic growth has slowed compared to previous years, Antaike expects China's supply and demand for aluminum to be relatively stable.

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 2023, China consumed approximately 42.8 million tons of primary aluminum, representing 61.1% of world total consumption. This ratio is expected to decrease to 56.7% by 2027, according to Antaike. The chart below shows the breakdown of domestic aluminum consumption by end-use in China in the year of 2023.



Source: Antaike

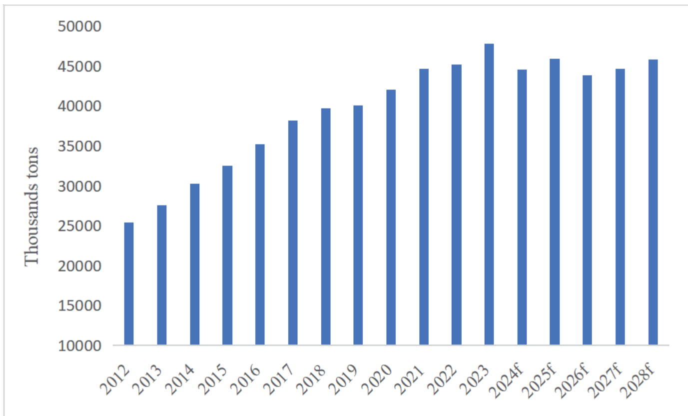
The table below sets forth an overview of the aluminum consumption in China and the United States, Japan, Germany and Canada in the year of 2023.

Aluminum consumption data in 2023

Country	Total Aluminum Consumption	Per Capita Aluminum Consumption	Per Capita GDP
	(ten thousand tons)	(kg)	(US$)
United States	511	15.0	80,412
Japan	195	15.8	33,950
Germany	200	24.0	52,824
Canada	30	7.7	53,247
China	4,284	34.0	12,541

Source: World Economics and Antaike

Primary aluminum can be processed into various downstream fabricated products including flat-rolled products (plates, sheets, strips and foils), extrusion products (tubes, bars and profiles), wire-rod, castings and forgings. As the chart below shows, according to Antaike, total production of fabricated aluminum products in China increased rapidly at a CAGR of 6.0% from 2012 to 2023, and is expected to remain stable.



Source: Antaike

In particular, there are significant growth potentials in the industries of construction and automotives in China.

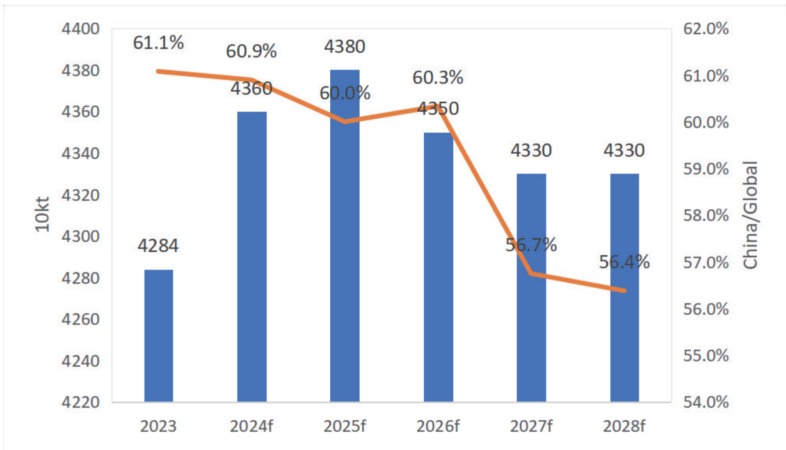
Construction

Aluminum products are widely used in windows, doors, cladding and facades in the construction sector. According to the National Bureau of Statistics of China, the total investment in fixed assets in China grew from approximately RMB18,176.0 billion in 2009 to approximately RMB50,970.8 billion in 2023, representing a CAGR of 8.8%. The growth momentum is expected to continue with overall economic growth and growing urbanization, as well as increases in disposable income per capita in China. According to Antaike, over 350 million additional population in China will be domiciled in urbanized areas by 2025. Combined with the structural change of consumer spending behavior, this will support China's aluminum demand growth in the long term.

Automotives

The strong economic growth, improving road transportation infrastructure and the enhanced consumer purchasing power have been driving up demand for automotives in China. Total vehicle ownership in China grew at a CAGR of 11.7% from 2009 to 2023, according to Ministry of Transport, and China surpassed the United States to become the world's largest auto producer in 2009. However, China's car ownership on a per capita basis of 226 per thousand people as of the end of 2022 was still much lower compared to the developed countries. Furthermore, higher energy prices and more stringent regulation on carbon emissions will encourage a more extensive use of lightweight metals, such as aluminum, as a substitute for steel in the automotive sector. Antaike further estimates the per vehicle aluminum usage in China to increase to 177 kg by 2023. Taken together with the growing vehicle production, it is expected to further drive growth in aluminum demand in China.

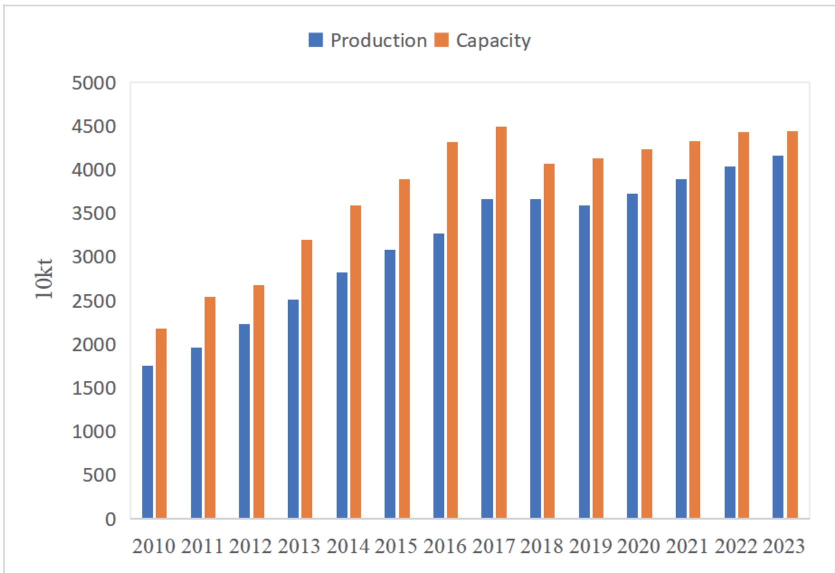
Antaike estimates that China's primary aluminum consumption will be approximately 43.3 million tons in 2028, as shown in the chart below.



Source: Antaike

Growing domestic production

In 2001, China became the largest aluminum manufacturer in the world, surpassing the United States and Russia. Domestic production increased at a CAGR of 5.8% from 25.1 million tons in 2013 to 41.7 million tons in 2023, compared to the CAGR of 3.6% globally during the same period, while China's share of global aluminum output rose from 49.6% to 59.1% during the same period, according to Antaike. The rapid growth of aluminum production is mainly driven by domestic consumption, government support and the application of advanced technology. The chart below shows the primary aluminum output and the production capacity in China from 2010 to 2023.



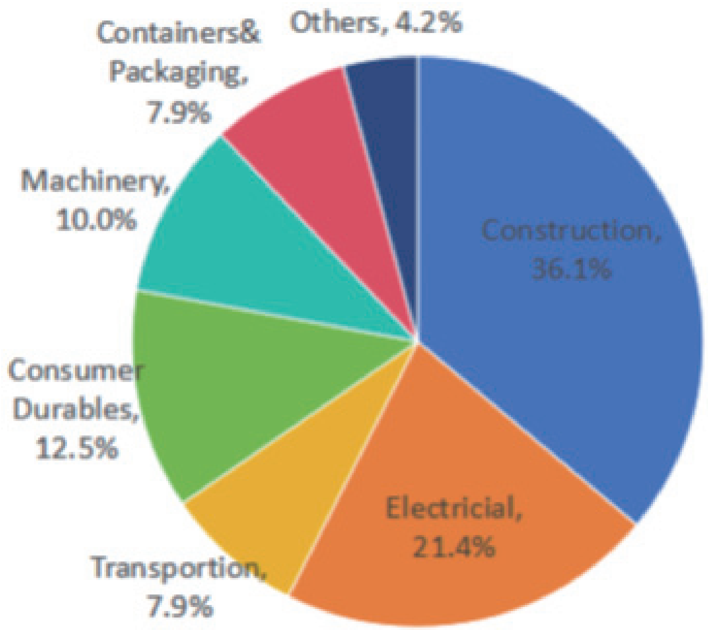
Source: Antaike

There has also been a sector trend of increasing scale in terms of production capacity and smelter power consumption in the PRC aluminum industry. Average annual production capacity per aluminum manufacturer in China increased significantly from approximately 267,800 tons in 2012 to approximately 450,000 tons in 2023. Meanwhile, capacity associated with over 300 kA smelters accounted for approximately 88% of total domestic aluminum capacity as of 31 December 2023.

Overview of domestic downstream fabrication sector

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 in the world since 2005 and 2001, respectively, according to Antaike. Aluminum flat-rolled products and aluminum extruded products are the two key segments in the PRC downstream fabrication sector accounting for approximately 89.5% of total aluminum fabrication production, according to Antaike.

In 2023, China consumed approximately 42.1 million tons of aluminum fabrication products, according to Antaike. The chart below shows the breakdown of domestic aluminum fabrication products consumption by end-use in 2023. The main users of aluminum fabrication products are from construction, electrical, durables and machinery.



Note: (the chart includes aluminum foil, not includes aluminum foil stock)

Source: Antaike

Although transport and packaging only account for a small share (accounting for 7.9% and 7.9% of current aluminum fabrication products consumption in China, respectively) in 2023, we believe they represent two of the key drivers of future demand growth for aluminum fabrication products, given the significant growth potentials in tin cans, food packaging, automotives and urban subway in China. Antaike estimates that China's aluminum fabrication products consumption will grow steadily at a CAGR of 1.2% from 2024 to 2028.

Aluminum Price

Historical price overview

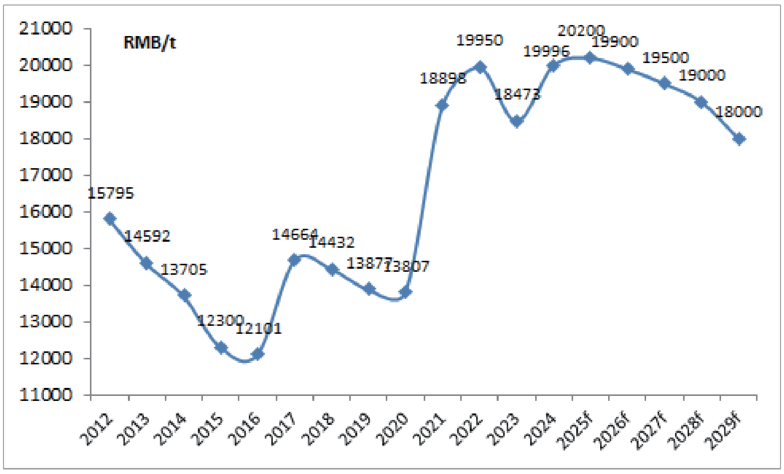
Aluminum price has experienced significant fluctuations in the recent past. The following chart shows aluminum 3-month London Metal Exchange, or the LME, price and 3-month Shanghai Futures Exchange, or the SHFE, price from January 2016 to December 2024.

Source: Wind Info.

In 2024, the global electrolytic aluminum prices fluctuated sharply due to the geopolitical conflicts, trade frictions and other macro factors. However, benefiting from the fundamental pattern of tight aluminum supply, with the gravity of the price rising. In 2024, the average price of LME spot month and the average 3-month future aluminum price were US$2,418.9 per ton and US$2,457.5 per ton, respectively, representing increases of 7.5% and 7.4% compared to the same period in 2023. The average price of SHFE spot month and the average 3-month future aluminum price were RMB19,958.7 per ton and RMB 19,995.7 per ton, respectively, representing increases of 6.7% and 8.2% compared to the same period in 2023.

Price outlook

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



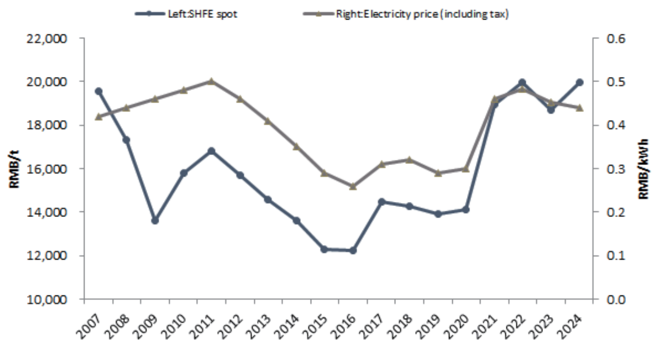
Source: Antaike

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, alumina and carbon anode blocks were the three 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, alumina and carbon anode blocks.

Electricity cost

Electricity costs vary across different regions and aluminum manufacturers in China. The industry average unit electricity cost increased steadily from 2007 to 2011. However, electricity costs decreased in 2012 to 2016, due to decrease in coal prices and increase in capacity of aluminum manufacturers to generate electricity in-house. Since 2017, coal prices have generally increased, reaching historical highs particularly from 2021 to 2022, which led to a significant rise in electricity prices. From 2023 to 2024, coal prices have declined, and electricity prices have started to decrease, although they remain at historically high levels. The average electricity price in 2024 was RMB0.436/kWh, representing a decrease of 4.6% compared to 2023.

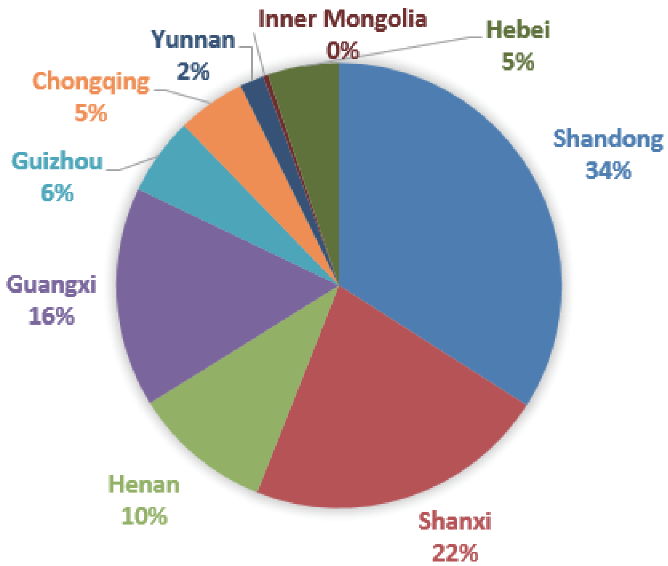


Source: Antaike

With the rapid growth of aluminum smelting capacity in China, electricity supply to this sector has been tight. The electricity cost accounted for 39% of the total production costs of aluminum in China in 2021, 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 2024, a total of 38 aluminum manufacturers in China operated captive power plants. The aluminum production capacity of these manufacturers represents approximately 57% 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 RMB969 per ton and RMB855 per ton for 2023 and 2024, respectively.

Alumina cost

Alumina is another major cost to aluminum production. According to Antaike, China had annual alumina production capacity of 104.8 million tons of 31 December 2024. The actual domestic alumina production was 85.8 million tons in 2024. The major suppliers are located in Shandong, Shanxi, Henan and Guangxi Provinces, which represent 34.0%, 22.0%, 10.1% and 16.0% of China's alumina production capacity in 2024, respectively. The geographical distribution of China's alumina production capacity in 2024 is shown in the chart below.



Source: Antaike

According to Antaike, the average prices of alumina produced domestically in China were RMB2,916 per ton and RMB4,072 per ton for 2023 and 2024, respectively, and the average import price of alumina in China was US$343 per ton and US$506 per ton for the same respective year. In the first half of 2025, the alumina prices dropped sharply. According to Antaike, the average spot price of domestic alumina dropped by approximately 21% compared to that of 2024.

Competitive Landscape

As of 31 December 2024, there were a total of 99 aluminum manufacturers in China, according to Antaike. They are located in 17 provinces and municipality, with Shandong, Xinjiang and Inner Mongolia as the three largest producing provinces, accounting for 15.8%, 14.2% and 15.0% of domestic capacity as of 31 December 2024, respectively. The following chart sets forth the top ten aluminum manufacturers in China in terms of aggregate annual aluminum production capacity as of 31 December 2024 based on a report issued by Antaike, according to which we were the second largest aluminum manufacturer.

Top ten aluminum manufacturers in China

Rank	Company	Designed annual production capacity as of 31 December 2023	Nature of Ownership
		(thousand tons per annum)	
1	Group 1	7,660	State-owned enterprise
2	**China Hongqiao Group Limited 中國宏橋集團有限公司 (our Group)**	6,459	Private
3	Group 2	4,270	State-owned enterprise
4	Group 3	3,800	Private
5	Group 4	2,160	Private
6	Group 5	1,700	State-owned enterprise
7	Group 6	1,700	State-owned enterprise
8	Group 7	1,692	Private
9	Group 8	1,300	State-owned enterprise
10	Group 9	1,200	Private
Total (% of China)		**31,941 (71.9%)**	

Source: Antaike

As of 31 December 2023, these ten manufacturers had aggregate designed annual production capacity of approximately 31.94 million tons and accounted for an aggregate of approximately 71.9% of China's domestic capacity. The table below shows the breakdown of aluminum manufacturers by production capacity as of 31 December 2023.

Breakdown of aluminum manufacturers by designed capacity (as of 31 December 2023)

Designed Annual Production Capacity	Number of Companies	% of Total Capacity in China
(thousand tons per annum)		
200 or above	98	99.5
300 or above	87	88.0
400 or above	74	74.4
500 or above	41	41.6

Source: Antaike

In May 2009, the Non-ferrous Metals Industrial Restructuring and Revitalization Plan (有色金屬產業調整和振興規劃) was issued by the State Council as part of a national initiative to strengthen and streamline the development of the aluminum industry for the period from 2009 to 2011. The plan imposed strict restrictions on expansion of electrolytic aluminum capacity, pursuant to which no further construction or expansion of electrolytic aluminum smelting capacity shall be approved from 2009 to 2011. Furthermore, according to the Notice to Further Strengthen the Elimination of Smaller Capacities (《關於進一步加強淘汰落後產能工作的通知》) issued by the State Council in February 2010, all production capacity with electrolytic aluminum smelter working current intensity of 100 kA and below was required to be phased out by the end of 2011.

The PRC governmental authorities have promulgated a series of policies on the aluminum industry recently, including the Guiding Opinions on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Some Industries through Financial Services (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》) promulgated on 22 December 2009 by the People's Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission, or the Policies. The Policies are aimed at restricting the investment in industries with excess production capacity, including production of 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 NDRC, the Ministry of Industry and Information Technology, the Ministry of Land and Resources and the MOEE jointly issued the Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects (《清理整頓電解鋁行業違法違規項目專項行動工作方案的通知》), which was aimed at regulating unlawful electrolytic aluminum projects. The issuance of such policy manifests continuing promotion of the reform of the supply-side and healthy and stable development of Chinese aluminum industry by the PRC government. As a result of these policies, our Group was required to reduce our production scale by shutting down electricity aluminum projects with production capacity of 2.68 million tons. Such reduction could negatively affect our revenue and net profits. See "Risk Factors – Risks Relating to Our Industry – Changes in laws, regulations or enforcement policies in China could adversely affect our business". However, in the long run, we believe that, the reform of the supply-side in the aluminum industry will promote healthy and sustainable development of the industry and help support increase of aluminum prices, which would have a positive effect on the cash flow of our Group, and contribute to enhancing our profitability.

Competition in the Aluminum Fabrication Products Segments

Precise aluminum products are advanced aluminum fabrication products, mainly including aluminum cans; high-grade aluminum foil and other high-grade aluminum flat-rolled products, and seamless pipes and other aluminum extrusion products. According to Antaike, there were approximately 200 aluminum sheets and cords manufacturers and 120 aluminum foils manufacturers in China as of 31 December 2023, with total production capacities of approximately 18.8 million and 6.5 million tons per annum, respectively. The two tables below list out the top five aluminum sheets and strip manufacturers and top five aluminum foils manufacturers in China.

Top five aluminum sheet and strip manufacturers in China

Company	**Designed capacity as of 31 December 2023**	**Nature**
	(thousand tons per annum)	
Group 1	1,200	Private
Group 2	1,150	Private
Group 3	950	Private
Group 4	500	Private
Group 5	450	Private
Total (% of China)	**18,820 (22.6%)**	

Source: Antaike

Top five aluminum foil manufacturers in China

Company	Designed capacity as of 31 December 2023	Nature
	(thousand tons per annum)	
Group 1	800	Private
Group 2	240	Private
Group 3	230	Private
Group 4	155	Private
Group 5	140	Private
Total (% of China)	**6,450 (24.3%)**	

Source: Antaike

For aluminum extrusion products, as of 31 December 2023, there were approximately 1,100 manufacturers in China with a total production capacity of approximately 34.5 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 31 December 2023	Nature
	(thousand tons per annum)	
Group 1	1,400	Private
Group 2	800	Mixed
Group 3	400	Private
Group 4	500	Private
Group 5	450	Private
Group 6	450	Private
Total (% of China)	**34,500 (11.6%)**	

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

Shandong Aluminum industry

Shandong Province, located on China's eastern coast, is one of the most important regions of the Chinese aluminum industry. As of 30 June 2024, it had a designed primary aluminum production capacity of approximately 7.14 million tons, which made it the largest aluminum manufacturing base in China, accounting for approximately 16% of total domestic capacity. In addition, Shandong Province is China's largest alumina supply base, with an annual capacity of approximately 27.4 million tons for 2023, accounting for 31% of domestic alumina capacity.

Shandong Province is also one of the China's largest manufacturing bases of downstream aluminum fabricated products, and manufactured approximately 13.5 million tons, or 21.4% of China's total production for 2023.

As of 31 December 2023, 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 31 December 2023**
	(thousand tons)
China Hongqiao Group Limited 中國宏橋集團有限公司 (our Group)	4,960
Shandong Group 1[(1)]	1,580
Shandong Group 2	660
Total (as a % of total Shandong Province)	**7,200 (100%)**

Source: Antaike

(1) Shandong Group 1 also has a production capacity of 2.22 million tons per annum outside Shandong Province. Its total capacity is 3.8 million tons per annum and is referred to as Group 3 in the table headed "Top ten aluminum manufacturers in China" under "Industry Overview – Competitive Landscape."

Our primary production facilities are strategically located in Zouping City, one of the main aluminum manufacturing bases in Shandong Province. We are the only aluminum manufacturer in Zouping City. We represented approximately 68.9% and 100% of total designed annual production capacity in Shandong Province and Zouping City, respectively, as of 31 December 2023 according to Antaike.

Overview of molten aluminum alloy

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

As 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. It also benefits the overall environment through reducing the emission of carbon dioxide and waste gas during the re-melting process.

Cost saving

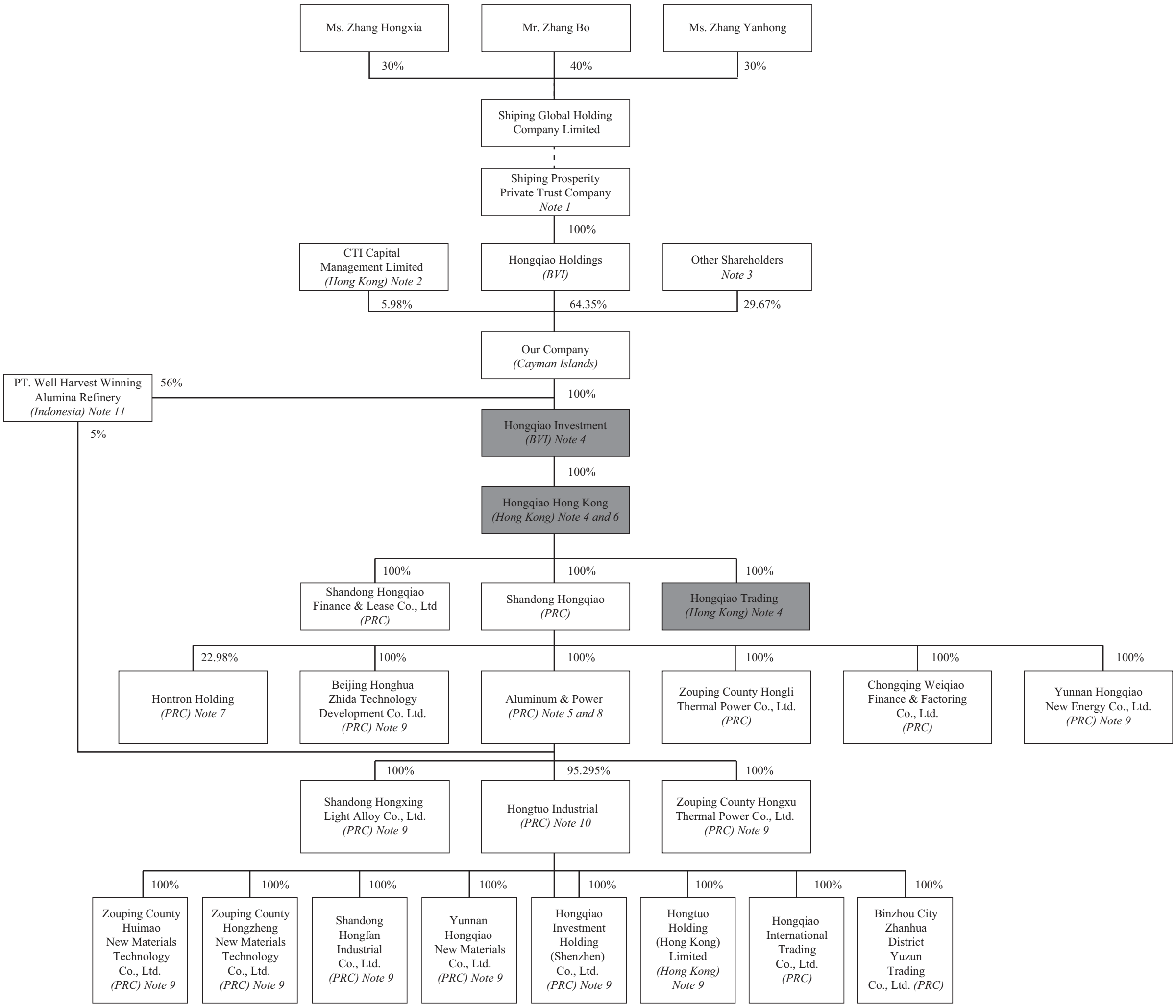
Molten aluminum alloy saves molding costs, associated energy, labor, and other relevant costs for producers. Customers also benefit from saving the energy cost of melting aluminum alloy ingots for further processing. Antaike estimates the overall cost benefits for customers to be approximately RMB500 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 6.27 million tons in 2024 to 6.38 million tons in 2028, and annual demand for primary aluminum in the Zouping region to grow from 4.13 million tons in 2024 to 4.2 million tons in 2028. 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 3.8 million tons in 2024 to 3.9 million tons in 2028. Furthermore, Antaike expects that 92% of the demand for aluminum in 2028 in the Zouping region will be met by molten aluminum. According to Antaike, our Group's molten aluminum production capacity accounted for 100% of the total molten aluminum production capacity in Zouping as of 31 December 2023.

CORPORATE STRUCTURE

The chart below sets forth our simplified corporate structure as of the date of this Offering Circular.



Notes:

(1) Shiping Prosperity Private Trust Company holds its shares in Hongqiao Holdings in trust. Shiping Global Holding Company Limited ("**Shiping Global**") is the settlor, protector and one of the beneficiaries of Shiping Prosperity Trust. Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong held 40%, 30% and 30% equity interests in Shiping Global respectively, and to maintain an acting-in-concert arrangement in respect of the exercise of the shareholders' rights of Shiping Global. Accordingly, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of our Company held by Hongqiao Holdings.

(2) In November 2017, CTI Capital Management Limited, an indirectly wholly-owned subsidiary of CITIC Limited, which in turn is ultimately controlled by CITIC Group Corporation, subscribed for approximately 10% of our then share capital.

(3) Mr. Zhang Bo holds approximately 0.09% of the issued share capital of our Company and the other Shareholders hold approximately 29.58% of the issued share capital of our Company.

(4) Entities shaded in grey will be the Subsidiary Guarantors of the Bonds.

(5) Shandong Hongqiao acquired Aluminum & Power in June 2006 and completed the domestic restructuring of our Group.

(6) Hongqiao Hong Kong owns the following subsidiaries or associates, directly or indirectly: (a) Shandong Renzhi Automobile Lightweight Technology Co., Ltd. *(PRC)*; (b) Shandong Qingjin Materials Technology Co., Ltd. *(PRC)*; (c) Shenzhen Hongpeng Digital Supply Chain Management Co., Ltd. Co., Ltd. *(PRC)* (owned as to 70%); (d) Zouping Hongzhou New Material Technology Co., Ltd. *(PRC)* (owned as to 60%); (e) Shandong Hongji Electric Drive Technology Co., Ltd. *(PRC)*; (f) Shandong Hongyan Automobile Co., Ltd. *(PRC)*; (g) Shandong Hongwen Automotive Chassis System Co., Ltd. *(PRC)*;

(h) Shandong Hongtu Power Energy Co., Ltd. *(PRC)*; (i) Hongqiao Commercial Factoring (Shenzhen) Co., Ltd. *(PRC)*; (j) Shandong Hongcan Material Technology Co., Ltd. *(PRC)*; (k) Winning Consortium Alumina Pte Ltd *(Singapore)* (owned as to 70%); (l) Winning Consortium Railway Pte Ltd *(Singapore)* (owned as to 29%); (m) GTS Global Trading PTE Ltd *(Singapore)* (owned as to 25%); (n) Africa Bauxite Mining Company Limited *(BVI)* (owned as to 25%); (o) Winning Alliance Port SA *(Guinea)* (owned as to 22.5%); (p) Winning Consortium Alumina Company Ltd *(BVI)* (owned as to 70%); and (q) Winning Consortium Alumina Guinea SA *(Guinea)* (owned as to 70%).

(7) Hontron Holding owns the following subsidiaries or associates, directly or indirectly: (a) Zouping Hongzhuo Aluminum Industry Co., Ltd. *(PRC)*; (b) Zouping County Hongcheng Aluminum Industry Technology Co., Ltd. *(PRC)*; (c) Zouping Hongshuo Aluminum Co., Ltd. *(PRC)*; (d) Binzhou Hongbo Aluminum Industry Technology Co., Ltd. *(PRC)*; (e) Shanghai Lushen Aluminum Products Co., Ltd. *(PRC)*; (f) Qingdao Hongyuan Zhuoyue International Trading Co., Ltd. *(PRC)*; and (g) Zouping Hongze Renewable Resources Co., Ltd. *(PRC)*.

(8) Aluminum & Power owns the following subsidiaries or associates, directly or indirectly: (a) Shandong Hongbin International Trading Co., Ltd. *(PRC)*; (b) Shanghai Helu Equity Investment Management Co., Ltd. *(PRC)*; (c) Shandong Weiqiao Aluminum & Electricity R & D Center Co., Ltd. *(PRC)*; (d) Weiqiao Guoke (Beijing) Technology Co., Ltd. *(PRC)*; (e) Weiqiao Jiada New Energy Ship Technology (Shenzhen) Co., Ltd. *(RPC)* (owned as to 60%); (f) Zouping County Huicai New Materials Technology Co., Ltd. *(PRC)*; (g) Zouping County Huiju New Materials Technology Co., Ltd. *(PRC)*; (h) Zouping Binneng Energy Technology Co., Ltd. *(PRC)* (owned as to 37.5%); (i) Shandong Zhilv High Performance Alloy Materials Co., Ltd. *(PRC)* (owned as to 35%); (j) Winning Consortium Holdings Pte Ltd. *(Singapore)* (owned as to 50%); (k) Weiqiao Guoke (Binzhou) Technology Co., Ltd. *(PRC)*; (l) Societe Miniere De Boke Sa *(Guinea)* (owned as to 22.5%); (m) Zhongheng Cooperation Investment Co., Ltd. *(PRC)* (owned as to 20%); (n) Shanghai Helu New Materials Technology Co., Ltd. *(PRC)*; (o) Linyi Weiqiao Guoke Venture Capital Fund Partnership Enterprise (Limited Partnership) *(PRC)* (owned as to 49%) and (p) Weiqiao New Energy Ship Energy Storage and Swap Technology Operation (Shenzhen) Co., Ltd.(owned as to 60%).

(9) These entities also directly or indirectly own a number of subsidiaries or associates in the PRC respectively.

(10) On 14 December 2023, 15 December 2023, 18 December 2023 and 21 December 2023, the indirect non-wholly owned subsidiaries of our Company, Aluminum & Power and Hongtuo Industrial, and an indirect wholly-owned subsidiary of our Company Shandong Hongqiao, successively entered into the capital contribution agreements with Tianjin Juxin Tianang Equity Investment Partnership (Limited Partnership)(天津聚信天昂股權投資合夥企業(有限合夥))("**Tianjin Juxin**"), Jinan Jiahui Investment Partnership (Limited Partnership)(濟南嘉匯投資合夥企業(有限合夥))("**Jinan Jiahui**"), 中國中信金融資產管理股份有限公司 (China CITIC Financial Asset Management Co., Ltd., previously known as "中國華融資產管理股份有限公司 (China Huarong Asset Management Co., Ltd.)") ("**CITIC FAMC**"), Jinan Junyue Investment Partnership (Limited Partnership)(濟南君岳投資合夥企業(有限合夥))("**Jinan Junyue**"), China Orient Asset Management Co., Ltd.(中國東方資產管理股份有限公司)("**China Orient**"), Ningbo Xinlv Enterprise Management Partnership (Limited Partnership)(寧波信鋁企業管理合夥企業(有限合夥))("**Ningbo Xinlv**"), Jinan Hongtai Investment Partnership (Limited Partnership)(濟南宏泰投資合夥企業(有限合夥))("**Jinan Hongtai**"), and Tiancheng Xincheng Phase I (Wenzhou) Venture Capital Partnership Enterprise (Limited Partnership)(天鋮鋅鋮一期(溫州)創業投資合夥企業(有限合夥))("**Tiancheng Xincheng Phase I**"), pursuant to which each of Tianjin Juxin, Jinan Jiahui, CITIC FAMC, Jinan Junyue, China Orient, Ningbo Xinlv, Jinan Hongtai, and Tiancheng Xincheng Phase I agreed to subscribe for new capital in Hongtuo Industrial with the consideration of RMB500 million, RMB530 million, RMB500 million, RMB201.6 million, RMB500 million, RMB400 million, RMB301 million and RMB30 million, respectively (and in aggregate, the total consideration was RMB2.9626 billion). After completion of the aforesaid capital increase, Hongtuo Industrial was held as to approximately 95.295% by Aluminum & Power and as to approximately 4.705% in aggregate by the aforesaid investors, respectively.

(11) PT. Well Harvest Winning Alumina Refinery is owned by our Company as to 56% and by Aluminum & Power as to 5%.

OVERVIEW

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of 30 June 2024, we were the second largest aluminum manufacturer 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. We are connected to other major manufacturing bases of downstream aluminum fabrication products, such as Henan Province, Liaoning Province and Jiangsu Province, and major alumina manufacturing bases and coal resources in Shandong Province, Shanxi Province and Henan Province, through developed transportation networks.

We currently have twelve manufacturing bases, located in Indonesia as well as in Wenshan, Honghe, Weihai, Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Boxing, Yangxin and Huimin of the PRC, respectively. Our annual production capacity of aluminum products was approximately 6.46 million tons as of 30 June 2024 with utilization rates of approximately 99.7% for the six months ended 30 June 2024.

Our Products

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 also actively expand the manufacture business for lightweight materials and secondary aluminum in recent years. We completed our installation of the first aluminum recycling production line in 2021. Our other products include alumina and steam. We sold approximately 5.7 million tons, 6.1 million tons, 6.3 million tons, 3.1 million tons and 3.2 million tons of aluminum products and generated revenue of approximately RMB96,836.9 million, RMB109,529.3 million, RMB106,141.3 million (US$14,605.5 million), RMB51,623.8 million and RMB56,893.6 million (US$7,828.8 million) from sales of aluminum products for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. Molten aluminum alloy is our major product, the sales of which accounted for approximately 69.5%, 65.2%, 62.7%, 61.4% and 61.4% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, 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.

Our Main Cost Items

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 for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

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 externally 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 in Binzhou City and (v) cost advantages from purchasing off-grid electricity directly supplied.

Our in-house alumina plants commenced production in 2012. For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the self-produced alumina used by our Group accounted for 78.0%, 74.4%, 77.9%, 80.3% and 74.9%, respectively, of the alumina we used in our production of our aluminum products. As of 30 June 2024, we had an aggregate annual production capacity of 19.5 million tons of alumina. We produced alumina at a cost below the purchase price of alumina that we purchase externally.

For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, we produced 62.6%, 56.5%, 54.2%, 56.6% and 49.6%, respectively, of the electricity we used in our production of aluminum products at our thermal power stations. As of 30 June 2024, our power station had an aggregate installed capacity of 11,335 MW. We produced this portion of electricity at a cost below the purchase price of electricity that we purchase externally. The remainder of our required electricity was purchased from a supplier pursuant to a direct power supply agreement and delivered via our in-house power grid. Due to our off-grid structure, bulk purchases and long-term cooperation, we have been able to purchase our electricity from our supplier at a price below average on-grid electricity price.

The following tables set forth our source of supply (internal and external) of alumina and electricity in China for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
Alumina	**2021**		**2022**		**2023**		**2023**		**2024**	
Total Alumina consumed (million tons)	11.02	100.0%	11.92	100.0%	13.06	100.0%	6.04	100.0%	6.56	100.0%
Self-produced (million tons)	8.59	78.0%	8.87	74.4%	10.17	77.9%	4.85	80.3%	4.92	74.9%
External purchase (million tons)	2.43	22.0%	3.05	25.6%	2.89	22.1%	1.19	19.7%	1.64	25.1%

	For the year ended 31 December			For the six months ended 30 June	
Electricity	**2021**	**2022**	**2023**	**2023**	**2024**
Total electricity consumed (million KWh)	82,622	88,182	91,322	44,459	46,632
Self-produced (million KWh)	51,735	49,842	49,508	25,150	23,120
External purchase (million KWh)	30,887	38,340	41,814	19,309	23,512
Self-sufficiency rate	62.6%	56.5%	54.2%	56.6%	49.6%

Our Customers

We sell most of our aluminum products to domestic customers, who are located mainly in Shandong Province as well as other regions of China. Our customers include (i) downstream aluminum fabrication product manufacturers, who process our aluminum alloy products into aluminum fabrication products, such as aluminum plates, aluminum wire and wheel hubs, and (ii) traders, who in turn resell our aluminum products to downstream aluminum fabrication product manufacturers or other traders. Certain of our customers are domestic premium aluminum fabrication product manufacturers and well-known traders. As of 30 June 2024, all of our molten aluminum alloy customers were located within 30 kilometers from us.

Our five largest customers, all of which were independent third parties of our Group, accounted for approximately 56.6%, 53.3%, 44.9%, 47.3% and 43.6% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. Our history of relationship with our top customers range from ten to seventeen years.

Our largest customer accounted for approximately 38.3%, 38.0%, 33.8%, 35.2% and 32.1% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

Our Competitive Strengths

Established market position in the Chinese aluminum industry with solid growth profile and sustainable profitability

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of 30 June 2024, we were the second largest aluminum manufacturer in China in terms of aggregate annual aluminum production capacity, according to Antaike. We believe our size and proven ability to deliver significant volumes across key customers have helped us to achieve significant economies of scale. By leveraging our scale and established market position, we are able to maintain solid development and sustainable and resilient profitability. Our overall gross profit margin for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 were approximately 26.6%, 13.8%, 15.7%, 9.0% and 24.2%, respectively. We believe this also ensures that customers can rely on us in terms of contract delivery which in turn has led to a high contract renewal rates and also allowed us to obtain significant negotiating leverage to obtain competitive commercial terms for our products.

Furthermore, China is the largest and fastest growing major aluminum market in the world. According to Antaike, China has been the largest aluminum consumer globally since 2005 and it consumed approximately 42.8 million tons of primary aluminum, amounting to 61.1% of world total consumption in 2023. According to Antaike, China's aluminum consumption grew at a CAGR of 6.5% from 2014 to 2023. In addition, China has been developing new infrastructure among which 5G networks, ultra-high voltage and rail system are directly related to aluminum usage and it is expected that this will further increase the domestic consumption of aluminum products. Antaike expects that China's demand for aluminum products will continue to grow due to China's continuing urbanization, investments in infrastructure construction and the rapid growth in China's automobile industry, power grid construction, subway systems, personal electronic products, and high-end packaging material. We believe that, with our established market share and track record, we are well positioned to capitalize on China's growth.

Vertically integrated business model providing significant cost advantages

We are vertically integrated with self-owned alumina plants, primary aluminum plants, captive power plants and downstream aluminum production facilities. We also actively expanded our procurement channels of bauxite, which is the upstream production raw material of alumina, by importing bauxite from various places of origin, mainly including Indonesia, Australia as well as our own bauxite mining project in Guinea. Vertical integration provides us with numerous cost advantages and allows us to be more competitive in the industry. As of 30 June 2024, we had an annual production capacity of aluminum of approximately 6.46 million tons. Self-produced alumina satisfied approximately 74.9% of our total alumina demand for the six months ended 30 June 2024 and this self-sufficiency rate is expected to maintain at the current level. In addition, our captive power plants had an aggregate installed capacity of 11,335 MW as of 30 June 2024. Self-produced electricity satisfied approximately 49.6% of our total electricity needs for the six months ended 30 June 2024. In addition, we have been actively expanding the manufacture and sale of aluminum fabrication products. Sales of aluminum fabrication products grew from RMB5,644.5 million for the sixth months ended 30 June 2023, accounting for approximately 10.3% of our total revenue in the first half of the year, to RMB7,582.1 million for the corresponding period in 2024, accounting for approximately 8.6% of our total revenue in the first half of the year. We believe offering high value-added aluminum fabrication products will help us to diversify our product mix as well as to capture additional profit margin, because high value-added aluminum fabrication products generally command a higher margin compared to primary aluminum products. We acquired 28.18% equity interest in Hontron Holding in April 2017 to further expand into advanced aluminum fabrication. As of 30 June 2024, our aluminum processing line had a total capacity of 1.17 million tons.

Leveraging our vertically integrated business model, we have enjoyed a competitive cost structure. We believe our cost advantage is mainly a result of (i) our large-scale, cost-efficient production facilities, including our captive power stations which provide a stable and low cost off-grid direct power supply and also reduce our exposure to risks of policy changes, (ii) our self-produced alumina and our ability to obtain alumina supply at competitive and advantageous rates, and (iii) our cost savings by focusing on selling molten aluminum alloy. Equipped with these advantages, our unit cost of sales of primary aluminum products for 2023 was approximately RMB13,601 per ton while the industry average was approximately RMB16,478 per ton, according to Antaike. We believe this helps to differentiate ourselves from other competitors in the aluminum industry in China, specifically in the following aspects:

- *Large-scale, cost-efficient captive power stations*

As of 30 June 2024, the total production capacity of our thermal power stations across our Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Yangxin and Huimin manufacturing bases was 11,280 MW. In addition, we also have a cross Yellow River power grid network that has a 110KV cross Yellow River transmission line with a length of total 2x67.5 kilometers and a 220KV Zouping central substation, which was constructed in October 2010 and was the first such line constructed by a private company in China. Electricity we produced in-house accounted for 62.6%, 56.5%, 54.2%, 56.6% and 49.6% of the total electricity we used for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. In 2019, we gave priority to the electricity produced by our captive power plants after shutting off certain production capacity in the second half of 2017 in response to the supply side reform of the aluminum industry. As of 30 June 2024, our thermal power stations achieved a high capacity utilization rate with annualized average utilization hours of approximately 4,111 hours. In addition, since 1 January 2010, we have sold steam generated by our thermal power stations. The high capacity utilization rate of our thermal power stations and sales of steam generated by these thermal power stations have further reduced our electricity generation costs.

- *Off-grid direct power supply*

We have nine aluminum manufacturing bases in Shandong Province. Our eight aluminum manufacturing bases in Binzhou City are in close proximity to each other and key customers, and are connected by an in-house power supply grid. This power supply grid enables us to purchase off-grid electricity and avoid paying wheeling charges to power grid suppliers. We believe our electricity purchase model is economically more favorable than those of our competitors who purchase on-grid or off-grid electricity that requires them to pay wheeling charges to power grid suppliers.

- *Alumina produced in our in-house facility*

In 2012, we constructed facilities to make use of coal fly ash, which included an in-house alumina production facility with an initial aggregate annual production capacity of 3.0 million tons of alumina, at Zouping Binzhou Beihai Development Zone. Since then, we have continued to increase our in-house production capacity of alumina. As of 30 June 2024, we had production capacity of 17.5 million tons of alumina in the PRC. We also have our own overseas alumina production facilities. In December 2012, we established the Indonesian Alumina Joint Venture Company for alumina production, in which we hold a 61% interest, directly and indirectly. In the first half of 2016, the first phase of our project in Indonesia (with an annual production capacity of 1.0 million tons of alumina) commenced operation. The second phase of the alumina project in Indonesia (with a further annual production capacity of 1.0 million tons of alumina) have also been put into production by the end of 2021. We fully utilized local resources in Indonesia to strengthen the full integration of the local alumina production into our business and to effectively manage the quality and costs of raw materials. As of 30 June 2024, we had a production capacity of 2.00 million tons of alumina in Indonesia. The self-produced alumina used by our Group accounted for approximately 78.0%, 74.4%, 77.9%, 80.3% and 74.9% of the total alumina that we used for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. We expect to maintain this self-sufficiency rate at the current level. 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 "Business – 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 69.5%, 65.2%, 62.7%, 61.4% and 61.4% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, 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, both our customers and we benefit from higher margins. Where customers are further away we will sell them aluminum alloy ingots. Sales of aluminum alloy ingots accounted for approximately 4.2%, 7.9%, 8.2%, 8.5% and 5.6% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

Strategic location benefitting from a symbiotic relationship within the end-to-end aluminum industry cluster

Most of our manufacturing bases and 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 our manufacturing bases. Due to close proximity to our Group and the nature of molten aluminum alloy, our local customers save 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 the 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 our Group with price discounts, forging a stable and long-standing mutual relationship.

Our manufacturing bases are connected to the major manufacturing bases of downstream aluminum product companies. For example, 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 4.13 million tons in 2025 to 4.20 million tons in 2029, and annual consumption for molten aluminum alloy to grow from 3.80 million tons in 2025 to 3.87 million tons in 2029. Furthermore, Antaike expects that 92% of the demand for primary aluminum and aluminum alloy in 2026 in the Zouping City will be met by molten aluminum alloy. We believe our leading market share in molten aluminum alloy in Zouping City will allow us to maintain strong sales alongside aluminum demand growth in Zouping City. Our manufacturing bases in Shandong Province are connected to the major manufacturing bases of downstream aluminum product companies located in Henan Province, Liaoning Province and Jiangsu Province, and major alumina manufacturing 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 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 18.1% of the country's primary aluminum production for 2023, according to Antaike. Within this region, the Yangtze River Delta is one of the most important and developed economic and manufacturing centre in China.

Efficient and advanced production facilities

We have been investing in advanced technologies and equipment, which we believe can improve our operating and production efficiency and lower our production cost. The majority of smelting pots we use in our production are equipped with large electricity prebaked cell with four-ends and a current intensity of 400kA to 600kA (400kA至600kA四端進電大型預熔槽). We have also successfully operated the world's first whole series 600kA production line of aluminum products since the first half of 2015. On 26 December 2016, our subsidiary Aluminum & Power was awarded the China Nonferrous Metals Industry Scientific Technology Award First Prize issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) for its technical development and industrial application of NEUI600kA efficient aluminum electrolytic cells. In 2016, 2019 and 2020, Shandong Hongqiao was also shortlisted for "Leaders in Energy Efficiency" (能效領跑者名單) by the Ministry of Industry and Information Technology of the PRC. In 2022, Shandong Hongqiao's data center project "Hongqiao HQCloud Industry Internet Platform" was recognized in the "Provincial Industry Internet Platform List 2022". In 2023, Shandong Hongqiao was awarded as a benchmark enterprise in intelligent manufacturing in Shandong Province, and entered into the "2023 Industrial Internet Top 500" list. As of 30 June 2024, all of our production lines for aluminum products had current intensity of over 400kA. For our alumina production, we adopt Bayer's low-temperature and low-pressure method for alumina production to ensure more stable operation of production lines and reduce energy consumption. We also employ advanced technologies and large-scale energy-saving equipment in connection with our power generation including a non-electric-pump system to reduce the electricity usage rate and medium pressure cylinder technology to reduce the energy consumption during the stages of testing and production. In addition, we recycle pebble coal to improve our energy utilization efficiency. We have been listed on the Ministry of Industry and Information Technology's energy efficiency "leader" list in 2016, 2019, 2020.

We believe our efficient and advanced production facilities will help us to compete more effectively and achieve higher profit margins.

Sustainable and green production and development

By persistently working hard to adhere to the path of green development, as the abiding theme in the aluminum industry, we actively increased investment in environmental protection to build a green electrolytic aluminum enterprise with low consumption, low emission and high input-output ratio, and strived to become a benchmark enterprise of green environmental protection in the aluminum industry, while promoting the ecological and environmental protection and construction of ecological civilization.

We cooperate with the government of Yunnan Province to establish a green aluminum innovation industrial park, fully enjoying and utilizing the policy for integrating water, electricity and aluminum promoted by the local government. Utilizing the clean hydropower advantage, the industrial park will replace traditional energy with green hydropower, which will further enhance the energy efficiency of our production, reduce reliance on traditional energy, reduce the emission of pollutants and greenhouse gases and lower production cost. The equipment, technology, process and automated control of the green aluminum innovation industrial park are up to the international leading standard in the industry. Various operations in the production process have achieved basic automation and intelligence, and achieved an advanced level in terms of average labor efficiency per capita. Among these, the 600kA electrolysis cells were awarded the First Prize of the China Nonferrous Metals Industry Scientific Technology Award in 2016. It is currently the largest electrolysis cells model in the world and can effectively reduce flue gas emission. At present, a small part of the industrial park is in operation and we will continue to increase its capacity and expand in scale, so as to enable us to pursue sustainable development. In 2016, 2019 and 2020, Shandong Hongqiao was also shortlisted for "Leaders in Energy Efficiency" (能效領跑者名單) by the Ministry of Industry and Information Technology of the PRC. In 2022, Zouping Hongfa Aluminum Technology Co., Ltd was included in the "Green Factory Demonstration List 2022 of Shandong Province" and awarded the prize of "2022 EcoVadis Corporate Social Responsibility Achievement". In 2023, Yunnan Hongtai New Material Co., Ltd. was awarded the green-power aluminum product evaluation certificate.

Automotive lightening is one of the major methods to realize energy saving and emission reduction of automobiles nowadays, which means using lightweight materials to reduce the weight of cars so the fuel consumption and emissions during the operation of the vehicle will be reduced. Supported by domestic and foreign research institutions such as the University of Chinese Academy of Sciences and Soochow University, our research and development center for lightweight aluminum materials in Shandong Province has established a complete research and development system and a research team with more than 200 research and development personnel and more than 20 top experts at home and abroad. At the initial stage, it is mainly committed to the research and development of core technologies such as lightweight parts of motor vehicles and whole-vehicle manufacturing systems. In 2021, in respect of domestic business, the construction of our lightweight base have been completed and put into operation.

In addition, we have been working with Scholz, the largest vehicle dismantling and metal recycling company in Germany, to introduce its state-of-the-art scrapped vehicle dismantling technology and secondary aluminum production technology, so that China can achieve non-downgrade use of secondary aluminum and the aluminum industry can realize green recycling. The project also involved the construction of a complete recycling production line to achieve the non-downgrade use of the scrap ring-pull cans. With the completion of the Sino-German Hongqiao Scholz Circular Economy Science & Technology Industrial Project, it can recycle and dismantle 100,000 scrapped motor vehicles annually, and produce 500,000 tons of secondary aluminum and 200,000 tons of selected raw materials of aluminum alloy and aluminum alloy products annually, realizing an output value of nearly RMB10 billion.

Furthermore, we joined the Aluminium Stewardship Initiative (ASI) in 2021 to accelerate the pace of achieving carbon neutrality and sustainable development, promote responsible production of aluminum and establish close cooperation with other international partners, in order to make positive contributions to the low-carbon transformation of the aluminum industry in China. As of 30 June 2024, our seven subsidiaries including Zouping Hongfa Aluminum Technology Co., Ltd, Binzhou Hongzhan Aluminum Technology Co., Ltd, Hontron Holding, Shandong Hongshun Recycling Technology Co., Ltd., Weihai Haixin New Materials Co., Ltd., Weihai Chenxin New Materials Co., Ltd., and Yunnan Hongtai New Material Co., Ltd. have passed the ASI Performance Standard V2 (2017) Certification.

With a gradually increasing proportion of clean energy used, we take the lead in the industry to realize ultra-low emissions of thermal power, alumina, and aluminum, which is only 15% of the national level set in the "Emission standard of pollutants for aluminum industry".

High profile professional shareholders

Since the middle of 2017, we have gained the support of certain high profile professional investors and financial institutions who have invested in our Shares. In June 2017, we entered into a strategic agreement with China CITIC Bank Corporation Limited ("**China CITIC Bank**"), a large domestic commercial bank incorporated in the PRC. Pursuant to the agreement, China CITIC Bank agreed to provide us with comprehensive credit up to RMB20 billion over two years, and to use its financial resources to provide us with other comprehensive financial services including but not limited to cash management, supply chain finance, investment banking services, international trade services, asset management services and capital market services. Following this, in November 2017, CTI Capital Management Limited, an indirectly wholly-owned subsidiary of CITIC Limited, which in turn was ultimately controlled by CITIC Group Corporation, subscribed for approximately 10% of our then share capital and CNCB (Hong Kong) Investments Limited, a subsidiary of China CITIC Bank, which in turn was ultimately controlled by CITIC Group Corporation, subscribed for our convertible bonds worth US$320 million. As of the date of this Offering Circular, to our best knowledge, CTI Capital Management Limited is interested in approximately 5.97% of our Shares. Further, in January 2018, we entered into a placing and subscription agreement with the relevant placing agents. Immediately upon completion of the placing, The Capital Group Companies Inc. became a Shareholder which held approximately 6.27% of our then share capital.

We believe the investments made by these high profile professional and strategic investors with long-term focus and forward-looking insights help highlight our credibility among shareholders and investors in the market place and provides us the additional stability to pursue a steady and sustainable growth and profitability.

Diversified financing channels with prudent financial management

Leveraging our strong financial and operating performance, we are able to secure funding from diversified financing channels to support our business development. We have entered into long-term relationships with over 40 commercial banks in the PRC and offshore, including, without limitation, 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, Crédit Agricole Corporate and Investment Bank, Industrial Bank, ING Bank W.V., Société Générale Corporate and Investment Banking and Industrial and Commercial Bank of China. We further expanded our financing channels by completing a series of issuances of corporate bonds and short- and medium-term debentures in the PRC. As of the date of this Offering Circular, we issued and completed a number of offshore bonds and syndicated loans and issued over 100 onshore bonds. We have also been granted a number of offshore loan facilities such as an aggregate amount up to US$545.0 million under the Indonesia Phase II Facility (as defined below), an initial amount up to HK$1,535 million, RMB500 million and US$30 million under the CBI November 2023 Facility (as defined below) (and additional amounts up to HK$250 million pursuant to an additional facility accession agreement, and an amount up to US$40 million (or its equivalent in HK$ or CHN) under the CBI August 2024 Facility (as defined below)). We issued an aggregate principal amount of US$300.0 million of our 6.875% senior notes due 2018 in November 2014, which were redeemed in full at their principal amount together with interest accrued to the maturity date on 3 May 2018, and we also issued an aggregate principal amount of US$450.0 million of our 6.85% senior notes due 2019 in April 2018, which were redeemed in full at their principal amount together with interest accrued to the maturity date on 22 April 2019, and we also issued the 7.125% senior notes on 22 July 2019 in the aggregate principal amount of US$300 million and the 7.375% senior notes on 2 October 2019 in the aggregate principal amount of US$200 million, which were redeemed in full at their principal amount together with interest accrued to the maturity date on 22 July 2022 and 2 May 2023, respectively. On 28 November 2017, our Company also issued the US$320 million 5.0% convertible bonds due 2022, which were converted in full in 2022. On 25 January 2021, our Company also issued the January 2021 CB. On 28 March 2024, our Company issued the March 2024 Notes.

In addition, we adhere to prudent financial management policies. Our EBITDA to finance costs ratio was 7.66 for 2022 and 8.11 for 2023. Our annualized net debt to EBITDA ratio was 1.34 for 2022 and 1.13 for 2023. We had bank balances and cash of well over than US$1.0 billion at the end of each of

2021, 2022 and 2023. As of 30 June 2024, our unsecured bank borrowings accounted for approximately 72.3% of the total bank borrowings and our onshore borrowings accounted for approximately 84.8% of our total borrowings.

Experienced management team with established track record

Our workforce and management have extensive experience in the aluminum industry. Our management has a proven track record of developing our business and maintaining margin, and consists of seasoned industry professionals. We believe that our extensive experience has resulted in our ability to manage our operations cost-effectively and maintain profitability through different price cycles. In particular, our chairman, executive Director and chief executive officer, Mr. Zhang Bo, has more than 20 years of management experience and has been responsible for overseeing our general operations, marketing and promotion in recent years.

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:

Further enhance vertical integration and increase the use of clean and renewable energy to capture additional cost advantages and further strengthen our competitiveness in the market

We aim to consolidate our position as a leading manufacturer in China of advanced aluminum fabrication products by using our self-manufactured aluminum products. We plan to achieve this goal progressively. We have established ourselves as a leading manufacturer of aluminum products, which we believe provides us with a market reputation, financial strength and technology that will assist us in further expanding into the downstream market for advanced aluminum fabrication products. We are developing our capacity for the production of advanced aluminum fabrication products at our Binzhou and Zouping manufacturing bases. We acquired 28.18% equity interest in Hontron Holding in April 2017 to further expand into advanced aluminum fabrication products. We believe that, by offering advanced aluminum fabrication products, 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 maintain 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 consumption of alumina in the future. As of 30 June 2024, we maintained 2.00 million tons of alumina production capacity in Indonesia and self-produced alumina satisfied approximately 74.9% of our total alumina demand for the six months ended 30 June 2024. We expect that the alumina we produce will continue to contribute to a substantial portion of our consumption of alumina in the future.

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 Guinea will help us to achieve this business goal. In addition, we have production lines of secondary aluminum with a production capacity of 490,000 tons per year. Also, the construction of our lightweight base and several lightweight material projects for production of aluminum alloy structural parts, lightweight auto parts and aluminum car body, among other things, helped us stretch to downstream industrial chain.

Moreover, we plan to increase the use of green and renewable energy. We are in the process of transferring part of our Group's existing electrolytic aluminum production equipment to Yunnan Province, which has abundant and competitive supply of hydro-electric power. There is ample alumina supply with proximity to nearby provinces and similar to our manufacturing bases in Shandong Province, we can easily access to downstream production community in Yunnan Province. We believe the partial relocation of our current production capacity to Yunnan Province will help us to take the cost advantage of such competitive hydro power electricity there and allow us to conduct production in a more environmentally friendly way. As of 30 June 2024, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of approximately 1.49 million tons. We are in the process of further transferring the existing production capacity of electrolytic aluminum to Yunnan Province, which will then operate by using local hydro-power electricity generated in Yunnan Province.

Enhance product research and development capabilities

We seek to focus our research and development efforts on reduction of energy consumption, optimization of our production techniques and enhancement of product quality. We plan to enhance our capabilities by allocating additional resources to our research and development activities, to hire additional research and development staff, including engineers, and to purchase new advanced machinery and equipment. In addition, we plan to broaden our product portfolio and improve our production processes through our continuing research and development activities. We have established a research and development center, and we intend to recruit more research and development personnel to develop new products, such as advanced aluminum fabrication products. We also plan to procure advanced equipment for our laboratory in order to improve our production technology, enhance the quality of our products and reduce production cost. Our research and development center contributes to the rapid growth of the production of aluminum alloy casting-rolling products. 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.

Increase our marketing and sales efforts

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 market position in Zouping City, we also seek to improve our market penetration in other regions in China, especially in Northeastern, Southern, Eastern and Northern China, where the major downstream aluminum processing bases are located and we established our sales and marketing teams. To further strengthen our market position, we plan to expand our sales and distribution network by establishing new sales offices, providing new training programs to our sales and marketing personnel, participating in industry conferences and trade fairs and exhibitions, advertising our products in China and overseas, further developing of our website for sales and marketing, enhancing our after-sale services and increasing the remuneration of our sales and marketing personnel. We believe that our reputation as a high-quality aluminum alloy manufacturer will help us attract new customers and retain existing customers for our aluminum products. We believe that the successful execution of this strategy will also help to diversify our customer base.

OUR PRODUCTS

Aluminum products are widely used in various industries, such as construction, electrical, transport and consumer durables. Aluminum is a silvery white and ductile member of the boron group of chemical elements, the third most abundant element in the earth's crust, after oxygen and silicon. Aluminum is the most widely used non-ferrous metal for its corrosion resistance due to the phenomenon of passivation and its low density, low tensile strength, and ease in forming alloys with many chemical elements such as copper, zinc, manganese, silicon, and magnesium, which have significant improvement in mechanical properties.

We organize and manage our operations according to our principal products: molten aluminum alloy, aluminum alloy ingots, and aluminum fabrication products. Our other products include alumina and steam. Our molten aluminum alloy and aluminum alloy ingots are labelled as Al99.70 aluminum pursuant to the State quality standards promulgated by the PRC government. See "Business – Quality

Control.'' While most of our aluminum products are primary aluminum produced through smelting, we also produce secondary aluminum by refining waste aluminum products. We have production lines of secondary aluminum with a production capacity of 490,000 tons per year. In addition, we have been working with Scholz to introduce its state-of-the-art scrapped vehicle dismantling technology and secondary aluminum production technology such that China can achieve non-downgrade use of secondary aluminum.

Our revenue generated from aluminum products accounted for more than 75% of our revenue for each of the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. The following table sets forth the sales volume, revenue, average selling price of, and revenue derived from, each type of our products for the periods indicated:

	For the year ended 31 December												For the six months ended 30 June							
	2021				2022				2023				2023				2024			
	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue
Aluminum products																				
Molten aluminum alloy	4,755,276	79,471.5	16,712	69.5%	4,880,995	85,833.9	17,585	65.2%	5,087,464	83,750.0	16,462	62.7%	2,479,790	40,359.3	16,275	61.4%	2,603,645	45,216.4	17,367	61.4%
Aluminum alloy ingot	296,839	4,841.5	16,310	4.2%	592,158	10,393.1	17,551	7.9%	660,854	10,890.8	16,480	8.2%	343,850	5,620.0	16,344	8.5%	233,791	4,095.1	17,516	5.6%
Aluminum fabrication products	656,595	12,523.9	19,074	10.9%	609,184	13,302.3	21,836	10.1%	579,818	11,500.4	19,834	8.6%	278,497	5,644.5	20,268	8.6%	378,591	7,582.1	20,027	10.3%
Subtotal	5,708,709	96,836.9	16,963	84.6%	6,082,337	109,529.3	18,008	83.2%	6,328,136	106,141.3	16,773	79.4%	3,102,137	51,623.8	16,641	78.5%	3,216,027	56,893.6	17,691	77.3%
Steam	4,972,009	687.1	138.2	0.6%	4,612,845	765.4	165.9	0.6%	5,287,089	924.9	174.9	0.7%	3,292,090	578.3	175.7	0.9%	2,957,793	498.9	168.7	0.7%
Alumina	7,162,765	16,966.9	2,368.8	14.8%	8,297,516	21,404.8	2,579.7	16.3%	10,374,056	26,557.5	2,560.0	19.9%	5,377,566	13,531.8	2,516.3	20.6%	5,506,611	16,199.7	2,941.9	22.0%
Total		114,490.9		100.0%		131,699.4		100.0%		133,623.6		100.0%		65,733.9		100.0%		73,592.2		100.0%

Molten aluminum alloy

Molten aluminum alloy is our main product, and it accounted for approximately 69.5%, 65.2%, 62.7%, 61.4% and 61.4% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. Molten aluminum alloy is a red and yellow hot liquid, in which aluminum is the predominant metal and combined with iron, copper, zinc, manganese, silicon, magnesium and other chemical elements. Molten aluminum alloy is an important material for fabricating aluminum products. We use self-manufactured electrolytic aluminum to manufacture molten aluminum alloys.

Molten aluminum alloy has to be stored in a specially designed container to keep its temperature at 750°C to 900°C during delivery. Most of our customers for molten aluminum alloy are in close proximity to our manufacturing bases. We engage third-party delivery service providers to deliver molten aluminum alloy to our customers. See "– Delivery of Products". Our customers then pour the molten aluminum alloy directly into molds to produce various downstream aluminum products.

According to Antaike, approximately 65% to 70% of aluminum manufacturers in the PRC provide their customers with molten aluminum alloy as the intermediate product for further processing into aluminum fabrication products.

Aluminum alloy ingots

Sales of aluminum alloy ingots accounted for approximately 4.2%, 7.9%, 8.2%, 8.5% and 5.6% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, 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 lightweight, corrosion resistance, easy processing and excellent performance. Our aluminum alloy ingots are primarily sold to customers in various regions across China, such as other counties in Shandong Province, Beijing, Tianjin, Hebei Province, Jiangsu Province, Guangdong Province, Liaoning Province and Zhejiang Province.

Other aluminum products

Sales of aluminum fabrication products accounted for approximately 10.9%, 10.1%, 8.6%, 8.6% and 10.3% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, 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 30 June 2024. 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 30 June 2024, our production lines for aluminum fabrication products had an aggregate annual production capacity of approximately 1.17 million tons.

We also constructed lightweight material projects for production of aluminum alloy structural parts, lightweight auto parts and aluminum car body, which, among other things, help us stretch to downstream industrial chain and improve our research and development capacity. For details, see the section entitled "Our Strategies – Further enhance vertical integration and increase the use of clean and renewable energy to capture additional cost advantages and further strengthen our competitiveness in the market" above.

Alumina

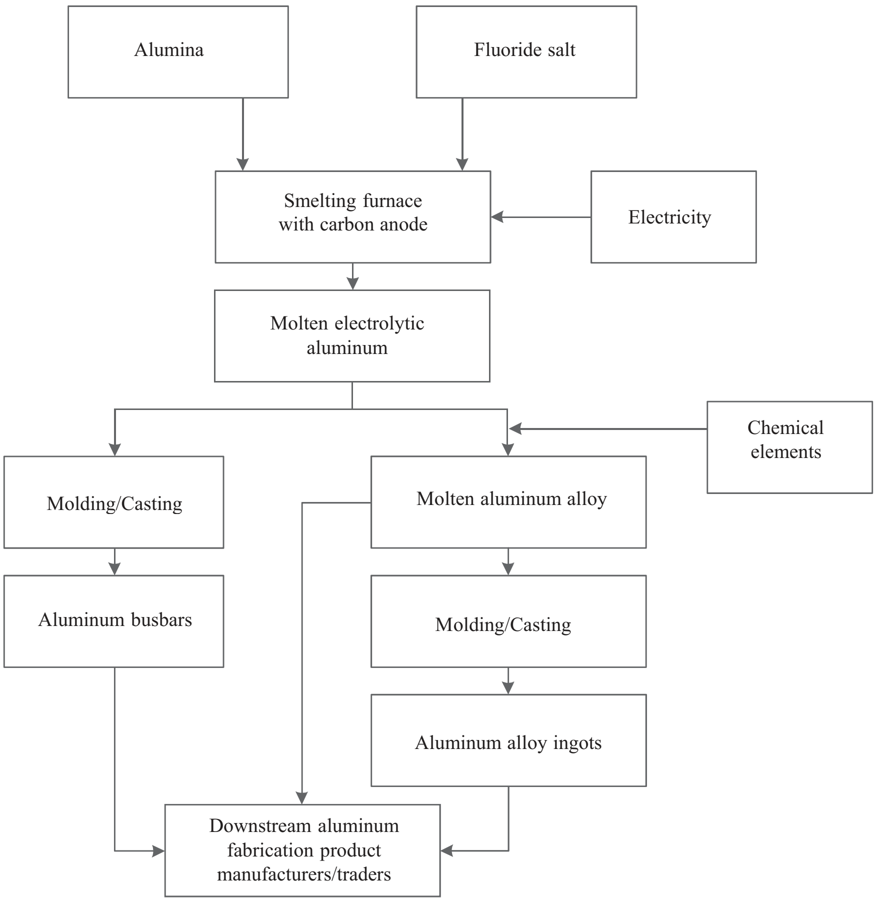
Sales of Alumina accounted for approximately 14.8%, 16.3%, 19.9%, 20.6% and 22.0% of our revenue for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. According to Antaike, in the first half of 2024, the alumina prices increased sharply, and the average spot price of domestic alumina increased by approximately 21% compared to that of 2023. As one of the top alumina manufacturers in China, our Group benefited from the increased alumina prices and the higher sales volumes, effectively enhancing our profits. The gross profit margin of our alumina products is 23.5%, 15.3%, 11.1%, 8.9% and 25.4% for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024.

PRODUCTION PROCESS

Most modern aluminum production facilities adopt the pre-bake reduction process used in aluminum smelting furnaces as it is energy-efficient and environmentally friendly. See "Industry Overview – Overview". Since our inception, we have used pre-bake anode reduction pot-lines to produce molten aluminum. During the production of molten electrolytic aluminum, the waste gases generated are purified and recycled through our purification system to reduce emission of waste gases to acceptable levels as established by environmental protection agencies.

Molten electrolytic aluminum is made from alumina and carbon anodes through a smelting process using electrolytic reduction. High electric currents at low voltage are passed through the smelting pots to produce molten electrolytic aluminum at a temperature of between 950°C and 970°C. The molten electrolytic aluminum is poured into molds to produce aluminum busbars or combined with various chemical elements to form various molten aluminum alloys. Molten aluminum alloys are poured into molds to produce aluminum ingots.

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



OUR PRODUCTION FACILITIES

Our Zouping, Beihai New District, Wenshan, Honghe, Weiqiao, Binzhou, Yangxin and Huimin aluminum manufacturing bases had annual production capacity of approximately 2,198,000 tons, 670,000 tons, 1,488,000 tons, 0 tons, 300,000 tons, 482,000 tons, 600,000 tons and 721,000 tons of aluminum product, respectively, as of 30 June 2024 for an aggregate annual production capacity of approximately 6,459,000 tons of aluminum products as of that date. For 2022, we had a weighted average production capacity of approximately 6,459,000 tons and a production volume of approximately 6,041,000 tons. For 2023, we had a weighted average production capacity of approximately 6,459,000 tons and a production volume of approximately 6,265,000 tons.

Our Weiqiao manufacturing base is located in Weiqiao Town, Zouping City, and commenced its operations in September 2006. Our Zouping manufacturing base is located in the Zouping Development District, Zouping City, and commenced its operations in July 2007. Our Binzhou manufacturing base is located in Binzhou Economic Development Zone, and commenced its operations in October 2010. Our Huimin manufacturing base is located in Huimin County and commenced its operation in May 2013. The majority of our aluminum manufacturing facilities are located in Shandong Province of China. Our principal equipment includes 400 kA smelting pots and 600 kA smelting pots, holding furnaces, casting machines and continuous casting and rolling lines.

The following table sets forth information relating to our weighted average production capacity and our production volumes and utilization rates for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
Annual production capacity at year end (tons)	6,459,000	6,459,000	6,459,000	3,229,500	3,229,500
Weighted average production capacity (tons)	6,459,000	6,459,000	6,459,000	3,229,500	3,229,500
Production volume (tons)	5,633,441	6,040,708	6,264,512	3,059,045	3,220,611
Utilization rate	87.2%	93.5%	97.0%	94.7%	99.7%

With the continuous investment in electrolytic aluminum production line, we had steadily increased our aluminum production capacity up to 2016. In the second half of 2017, in connection with an action plan implemented by relevant government authorities to reform the supply-side aluminum industry and limit coal consumption, we have subsequently decreased our annual production capacity by shutting down electrolytic aluminum projects with production capacity of 2.68 million tons. As a result, our annual production capacity as of 31 December 2017 decreased to approximately 6.46 million tons and remained at the same level as of 30 June 2024. For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, our production capacity utilization rates were approximately 87.2%, 93.5%, 97.0%, 94.7% and 99.7%, respectively. We are in the process of transferring part of our Group's existing electrolytic aluminum production equipment to Yunnan Province. As of 30 June 2024, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of 1.49 million tons. We plan to further transfer the existing electrolytic aluminum production equipment to Yunnan Province.

PROCUREMENT

We procure raw materials and energy, including electricity and coal, from external suppliers. Our five largest suppliers together accounted for approximately 41.8%, 40.0%, 30.0%, 31.4% and 29.6%, respectively, of our total procurement for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024. Our largest supplier for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, accounting for approximately 18.0%, 14.0%, 10.7%, 10.8% and 11.4%, respectively, of our total procurement.

Our production department usually provides our procurement department with a monthly raw materials requirement schedule for its production need for the next month. In accordance with our production requirements and inventory policy, our procurement department will arrange the selection of suppliers and procurement of raw materials.

Raw Materials

Our procurement department is responsible for the assessment and selection of suppliers and procurement of raw materials. The principal raw materials which we use in production include alumina and carbon anodes.

Supply of Alumina and Bauxite

In 2012, we constructed facilities to make use of coal fly ash, including an in-house alumina production facility at Zouping Binzhou Beihai Development Zone with an initial aggregate annual production capacity of 3.0 million tons of alumina. Since then, we have continued to increase our in-house production capacity of alumina. As of 30 June 2024, we had production capacity of 17.5 million tons of alumina in the PRC. In addition, on 27 December 2012 we entered into a joint venture with Winning Investment, PT.Cita and PT.Danpac to create an alumina manufacturing base in Indonesia. This manufacturing base commenced the first phase of its operations in the first half of 2016 and the second phase of its operations in 2021. As of 30 June 2024, it has an annual production capacity of 2.0 million tons of alumina and was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. It produced approximately 1.1 million tons, 2.1 million tons, 2.2 million tons, 1.1 million tons and 1.1 million tons of alumina, respectively, for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024. The self-produced alumina used by our Group accounted for 78.0%, 74.4%, 77.9%, 80.3% and 74.9% of the alumina (in terms of volume) used in our production of our aluminum products for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, 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 and reduce relevant risks, we import bauxite from various places of origin, mainly including Indonesia, Australia as well as our own bauxite mining project in Guinea. 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 Winning Singapore International Group, for the purpose of developing a bauxite mining project in 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", we established a "Maritime Silk Road" 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 at our domestic base in November 2015, and has realized production of approximately 34.2 million tons of bauxite in 2021, 44.2 million tons of bauxite in 2022, 43.9 million tons of bauxite in 2023, and 20.4 million tons and 34.3 million tons of bauxite for the six months ended 30 June 2023 and 2024, respectively.

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. We also expand our business in Guinea, including an iron ore mining business.

Alumina Procurement

We have entered into alumina supply agreements, through arms-length negotiation with our suppliers of alumina. 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 and bulk purchase. 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 31 December						For the six months ended 30 June			
Alumina	**2021**		**2022**		**2023**		**2023**		**2024**	
Total Alumina consumed (million tons)	11.02	100.0%	11.92	100.0%	13.06	100.0%	6.04	100.0%	6.56	100.0%
Self-produced (million tons)	8.59	78.0%	8.87	74.4%	10.17	77.9%	4.85	80.3%	4.92	74.9%
External purchase (million tons)	2.43	22.0%	3.05	25.6%	2.89	22.1%	1.19	19.7%	1.64	25.1%

Procurement of other raw materials

Our raw materials other than alumina are generally procured through competitive bidding among our suppliers. We organize regular on-site biddings and online biddings for our raw materials suppliers. For carbon anodes, we negotiate the terms and conditions of the supply agreements with our suppliers. When we select suppliers, we not only take into account the bidding price, but also carefully consider the candidate's credit history, the quality of the raw materials and feedback from our production department.

We have entered into long-term framework supply agreements with some of our suppliers to secure a stable supply of raw materials. Such long-term framework agreements usually have a term of three years. Pursuant to these supply agreements, our suppliers provide us with certain volumes of raw materials on a monthly basis. We have also entered into individual supply agreements with our suppliers based on bidding results. For the supply of carbon anodes and fluorides, the suppliers are responsible for delivery of the raw materials to our warehouse and the relevant expenses. We have the right to terminate the supply agreement if the quality is not satisfactory. We usually require the suppliers to make quality deposits with us, which will be deducted if the suppliers cancel or fail to perform the supply agreements. For the long-term framework supply agreements, the price is determined by reference to the market price. For the individual supply agreements, the price is determined through the bidding process.

For carbon anodes, fluorides and other raw materials, we usually make payments after we check the quality of such raw materials and formally accept the delivery. We usually have a credit period of up to 60 days for these raw materials.

ELECTRICITY SUPPLY

Electricity is one of the principal cost components in our production. Smelting aluminum requires a substantial and continuous supply of electricity. As a result, the availability and cost of electricity are key considerations in our production. To help secure a stable electricity supply, we commenced the construction of our own thermal power stations in 2005, which started to supply electricity to us in January 2007. The electricity generated is off the grid and is exclusively supplied to our operations. Generating electricity at our own power station costs less than purchasing electricity from an external supplier during the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024. We had electricity production capacity of approximately 11,335 MW as of 30 June 2024. The volume of electricity supplied by our own thermal power stations accounted for approximately 62.6%, 56.5%, 54.2%, 56.6% and 49.6% of the volume of our total electricity consumption for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

We procure the balance of our electricity from an external supplier. We have purchased off-the-grid electricity from an external supplier since July 2008. In China, as off-the-grid electricity does not use the state-owned grid system for transmission, the price of off-the-grid electricity does not include the wheeling charges, and as a result, is lower than that of on-the-grid electricity. In 2016 and 2017, we purchased all of the electricity we did not generate ourselves from a single external supplier. In January 2018, we entered into an electricity supply agreement with a new supplier of electricity from whom we intend to procure all of our external electricity going forward. In June 2019, we established a joint venture, Zouping Binneng Energy Technology Co., Ltd.(鄒平濱能能源科技有限公司) ("**Binneng Energy**"), with an independent third party. Since then, all our external electricity supply in Shandong Province has been sourced from Binneng Energy. The price of externally procured electricity in Shandong Province is priced and adjusted based on the historical average of local state grid sales prices and coal prices. For our existing aluminum production facilities in Yunnan Province, all hydro-power electricity used is provided by a third party.

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

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
Electricity					
Total electricity consumed (million KWh)	82,622	88,183	91,322	44,459	46.632
Self-produced (million KWh) . .	51,735	49,842	49,508	25,151	23,120
External purchase (million KWh)	30,887	38,340	41,814	19,309	23,512
Self-sufficiency rate.	62.6%	56.5%	54.2%	56.6%	49.6%

Our thermal power stations

Power Generation

Our existing thermal power stations started to supply electricity to our operations in January 2007. As of 30 June 2024, our thermal power stations had an installed generation capacity of 11,335 MW.

Theoretically, the maximum utilization hours of a power station is 8,760, which is the number of hours in a year. The utilization rate of a power station refers to the amount of the average utilization hours in a year divided by 8,760 hours. The average utilization hours of our Group's power stations were approximately 5,027 hours and 4,993 hours for 2022 and 2023, respectively, and the utilization rate was approximately 57.4% and 57.0% for the same respective year. The annualized average utilization hours of our Group's power stations for six months ended 30 June 2024 were approximately 4,111 hours and the utilization rate was approximately 46.9% during the same respective period.

Steam Supply

Our power stations also produce heat in the form of steam, which is a by-product of power generation. We use most of the steam we produce for in-house production of alumina. We also sell a portion of the steam we produce in the process of electricity generation to other parties. For the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, sales of steam accounted for 0.6%, 0.6%, 0.7%, 0.9% and 0.7%, respectively, of our total revenue.

Coal Procurement

Our thermal power stations use coal as fuel. We purchase meagre lean coal for power generation, which usually has an average calorific value of 4,600 kilocalories to 6,000 kilocalories per kilogram and a sulfur-bearing rate below 4%.

We purchase coal from a number of coal suppliers near Shandong Province. Our coal procurement personnel are based in Shanxi Province, Hebei Province and Inner Mongolia, and they carry out market research with respect to the production, price, transportation cost and inventory level of coal in their respective regions and report such information to our headquarters. In particular, when there is any actual or potential dramatic coal price change in the market, our coal procurement personnel will collect and send to our headquarters relevant market information and our headquarters will adjust our inventory level of coal to address the price risk. We have not entered into any long-term coal supply agreements with our coal suppliers. We have implemented a competitive bidding system among our coal suppliers to ensure our coal supply is of low cost and high quality. We send our bidding invitation in the middle of every month, which specifies the time and location of the bidding and the quantity and quality requirement of the coal. When we select coal suppliers, we not only take into account the bidding price, but also carefully consider the candidate's credit history and ability to supply coal at satisfactory quality on time. We usually pay the purchase price to a coal supplier when the coal supplied by such supplier reaches certain minimum amount. Historically, generally we have been able to purchase sufficient coal in the open market to meet our requirements.

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

	For the year ended 31 December			For the six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB/ton)		
Average coal consumption cost (excluding VAT)(1)	784	927	819	906	721
Average price (including VAT) of mix-quality coal quoted by Qinhuangdao Shanxi quality index(2)	857	1,220	965	1,024	875

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

Sales and Marketing Team

We sell our products through our own sales and marketing team. As of 30 June 2024, we employed 394 sales and marketing personnel.

The head office of our sales and marketing team is located in our manufacturing bases in Zouping City, Shandong Province. We have also established sales and marketing teams covering Northeastern, Southern, Eastern, Southwest and Northern China, where our customers are located. 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.

Sales and Marketing

Our sales and marketing team directly sells products to our customers. We usually approach our customers by visiting their offices or calling them.

We sell our aluminum products to customers in Northeastern, Southern, Eastern and Northern China. Molten aluminum alloy is our most popular product. Most of our molten aluminum alloy customers are in close proximity to our manufacturing bases. Our aluminum alloy ingots are primarily sold to customers in other regions, such as other counties in Shandong Province, Beijing, Tianjin, Hebei Province, Jiangsu Province, Guangdong Province, Liaoning Province and Zhejiang Province.

Sales Contract Terms

We usually enter into framework sales agreements with our customers, which provide for terms of quality, pricing, settlement, payment and planned monthly or annual sales volume. Our customers generally provide us with purchase orders on a monthly basis. The actual monthly volume delivered is negotiated between our customers and us by taking into account the order volume and our capacity for the corresponding month. There is usually no minimum purchase amount required in our framework sales agreements. A sales framework agreement usually has a term from one year to three years. We also enter into individual sales contracts with our customers.

The quality of our products is subject to the national quality standards issued by the PRC government. See "Business – 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 56.6%, 53.3%, 44.9%, 47.3% and 43.6% of our revenue of continuing operations for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. Certain of our customers are domestic premium aluminum fabrication product manufacturers and well-known traders. Our largest customer accounted for approximately 38.3%, 38.0%, 33.8%, 35.2% and 32.1% of our revenue of continuing operations for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. Sales volume of our aluminum products was approximately 5.7 million tons, 6.1 million tons, 6.3 million tons, 3.1 million tons and 3.2 million tons for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

Our customers included (i) downstream manufacturers, who processed our aluminum alloy products into aluminum fabrication products, such as aluminum plates, aluminum wire and wheel hubs, and (ii) traders, who in turn resold our products to downstream aluminum fabrication product manufacturers or other traders. There is no difference in pricing strategy towards these two groups of customers. During the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, our five largest customers were all downstream aluminum fabrication product manufacturers located in Binzhou City, Shandong Province.

As most of our molten aluminum alloy customers are located near our manufacturing bases, there is a high geographic concentration of our customers. Our revenue of molten aluminum alloy accounted for approximately 69.5%, 65.2%, 62.7%, 61.4% and 61.4% of our revenue for three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively.

INVENTORY CONTROL

We had inventories of approximately RMB22,705.1 million, RMB37,267.6 million, RMB33,958.5 million (US$4,672.8 million), RMB35,846.4 million and RMB34,760.5 million (US$4,783.2 million) as of 31 December 2021, 2022 and 2023 and as of 30 June 2023 and 2024, respectively. Our average turnover days of inventory, exclusive of those held for sale, were 92, 96, 115, 110 and 111 days for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. The increase in our average turnover days of inventory for six months ended 30 June 2024 was mainly due to an increase in the inventory quantity of some raw materials and an increase in the unit cost of stock 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 inventory accordingly. We usually keep in stock enough raw materials for 15 days' production requirement to ensure our continuous operations. We generally keep in stock enough coal for 15 days' power generation requirement, while from November to February, we usually keep enough coal for one month's requirement. We monitor and control our inventory levels of raw materials, work-in-progress and finished products to optimize our operations. We use an enterprise resource planning, or the ERP, system to ensure an efficient and effective management of our inventories. This ERP system keeps record of our inventories so that we have ready access to inventory levels and movement. We have management procedures that monitor the planning and allocation of warehouse space and inventory of raw materials and finished products to meet the delivery requirements and schedules. We also carry out daily inventory counts on our finished products to ensure that our records are up-to-date and there is no loss of inventory.

Since most of our inventories, including alumina, aluminum products and coal, are commodities which are readily tradable in the market and have a short production cycle, we generally do not have any obsolete inventories. Because molten aluminum alloy is produced pursuant to the purchase orders of our customers, which are all located in close proximity to our manufacturing bases, we are able to deliver the molten aluminum alloy directly from our smelters to our customers manufacturing sites immediately after the molten aluminum alloy is manufactured, which allows us to maintain close to zero inventory of molten aluminum alloy. Our entire inventory is insured against fire and natural disasters.

QUALITY CONTROL

We believe that the quality of our products is crucial to our continued growth. We place strong emphasis on maintaining consistent quality in our products and services with involvement and commitment from all levels of our management and staff.

The PRC government has issued a series of mandatory national quality standards for aluminum products under various labels. The standards for our aluminum products are mainly set out in the documents GB/ T 1196 – 2008 published by the PRC government.

The standards for our aluminum products are mainly set out in the document GB/T 1196 – 2008 published by the PRC government, which prescribes the national standards in relation to various areas including: (1) quality of primary aluminum; (2) sample test required to be conducted to examine the purity of primary aluminum; and (3) labelling, packaging, transportation and storage. The quality of primary aluminum is graded into seven levels based on the amount of impurities contained. Our aluminum products are graded Al99.70, which means the impurities contained in our aluminum busbars are no more than 0.3%.

We emphasize quality in our manufacturing processes. To closely monitor our manufacturing processes, we have established a quality control department. As of 30 June 2024, we had 2,870 quality control personnel. For inspection purposes, we use equipment, such as spectrographs and atomic absorption spectrometers, to analyze the chemical elements of our products. Furthermore, we have prepared a set of manuals and documents on standard production procedures and our employees are required to follow them to ensure the product quality. In order to meet the high quality standards of our customers, our quality control procedures are carried out at various stages of the manufacturing processes, including incoming, in-process and outgoing stages. In addition, we carry out regular quality control training sessions for our employees to promote quality control technologies as well as quality control awareness. Shandong Hongqiao obtained the ISO9001 certification for our manufacturing facilities in April 2010.

RESEARCH AND DEVELOPMENT

Our research and development activities focus on reduction of energy consumption, optimization of our production techniques and enhancement of product quality. We pay high attention to innovative platform construction and industry and academic collaboration. We actively invest resources into the research and development team, establish research centers and laboratories, hire research and development personnel and purchase advanced equipment, etc. We continue to strengthen the partnership with scientific research institutions in the form of industrial and academic collaboration. For example, with the support of the University of Chinese Academy of Sciences and Soochow University and our research and development centre for lightweight aluminum materials in Shandong Province, we have established a complete research and development system and a research team with more than 200 research and development personnel and more than 20 top experts at home and abroad.

Besides, we encourage our staff to work on improvements of production facilities and techniques regarding safety, energy conservation, efficiency enhancement and environmental protection and to learn from and promote the technical transformation projects with promotional value. During the first half of 2024, we implemented over 352 minor reform projects and as of 30 June 2024, we applied for 932 patents.

We continued to accelerate the layout of scientific and technological innovation as well as increase investment in scientific research, making efforts towards green development and high-quality development. In 2021, we focused on the development of lightweight materials and secondary aluminum in a circular economy, and cooperated with a number of domestic and foreign partners to extend downstream of the aluminum production chain. In 2021, the installation of the first aluminum scrap recycling production line of the Sino-German Hongqiao Scholz Circular Technology Industrial Park project in collaboration with the German-based Scholz Group was completed and the production line of the secondary aluminum plate casting aluminum alloy product is ready for production. Moreover, we cooperated with the government of Yunnan Province to establish a green aluminum innovation industrial park. The 600kA electrolysis cells is currently the largest electrolysis cells model in the world and can effectively reduce flue gas emission.

At the same time, we increased our investment in technological innovation and liaised with national research institutes to further enhance the technological content of aluminum products. In recent years, we received a number of industry and international recognition awards based on our core competitiveness. Aluminum & Power successfully passed the National Standards Committee's acceptance of its "Demonstration Creation of Energy Saving in Electrolytic Aluminum Production" project. Shandong Hongqiao was awarded the first batch of provincial-level green factories and was included in the list of national-level green factories. Shandong Hongqiao was also awarded as an intelligent manufacture demonstration factory of 2022 by four departments including the Ministry of

Industry and Information Technology and the NDRC. Hongtuo Industrial was selected into a list of "leading" enterprises in energy efficiency in key industries for 2023 by the Ministry of Industry and Information Technology, the NDRC, and the State Administration for Market Regulation. As of 30 June 2024, we have two state-level green factories and two provincial-level green factories. The Indonesia alumina project also won the "ASEAN Coal Award 2021 for Industry Application of Clean Coal Technology in the Medium Industrial Category" from the ASEAN Centre for Energy. Further, in 2024, we were awarded the Asset Triple A Digital Awards 2024 by The Asset, a leading magazine in Asia's investment community and were named "Most Honored Company" 2024 (Asia Pacific ex Japan) by Institutional Investor.

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 requirements 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 products incurred during delivery pursuant to the relevant service agreements.

Molten aluminum alloy has to be stored in a specially designed container to keep its temperature at 750°C to 900°C during delivery. All of our molten aluminum alloy customers are located in close proximity to our manufacturing facilities. We engage third party transport companies for the delivery of molten aluminum alloy pursuant to a competitive bidding among logistics service providers.

INTELLECTUAL PROPERTY RIGHTS

We place emphasis on protecting the intellectual property rights of our products, processes and technologies. As of 30 June 2024, we were not aware of any of our employees disclosing our intellectual properties which are material to our business to third parties in breach of their contractual obligations.

As of 30 June 2024, we owned the domain names www.hongqiaochina.com, www.hongqiao-china.com, www.hongqiaogroup.cn and www.hongqiaoxc.com. As of 30 June 2024, we also had seven registered trademarks in Hong Kong, and thirty-three registered trademarks in the PRC for our aluminum products.

COMPETITION

The aluminum industry is highly competitive in China. As of 31 December 2023, according to Antaike, there were approximately 100 primary aluminum manufacturers in China, and the average designed annual aluminum production capacity of these manufacturers was approximately 450,000 tons of primary aluminum products, including pure aluminum products and aluminum alloy products. According to Antaike, as of 31 December 2023, only 36 primary aluminum manufacturers in China had a designed annual primary aluminum production capacity of 500,000 tons or more, which accounted for approximately 64% of the total primary aluminum production capacity in China.

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 100.0% of the total annual production capacity of primary aluminum in Zouping City as of 31 December 2023, 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

We are subject to PRC national environmental laws and regulations and periodic inspection by local environmental protection authorities, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Impact Evaluation Law of the PRC (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and the Implementing Regulations for the Law of the PRC on Environmental Protection Tax (《中華人民共和國環境保護稅法實施條例》). We are required to conduct assessments on the effect on the environment for the construction of our production lines and power station, formulate environmental pollution prevention and remedial plans and obtain approval from the environmental protection authorities for such assessments before the commencement of construction of our production lines and power stations. After the completion of construction, we need to pass inspections for our environmental protection facilities by the environmental protection authorities. We are required to apply for registration with relevant environmental protection authorities for discharge of pollutants and pollutant discharge permits, and pay for over-discharge.

Aluminum Production

According to relevant PRC environmental laws and regulations, the construction, renovation and expansion of all aluminum-processing projects must comply with relevant aspects of the environmental impact assessment system. According to Article 31 of the Law of the PRC on Environmental Impact Assessment which was amended on 2 July 2016 and took effect on 1 September 2016, and further amended and became effective on 29 December 2018:

(1) where a construction entity unlawfully commences the construction of a project without submitting for approval its environmental impact report or report form in accordance with the law, or without reporting for approval anew or requesting the re-examination of the environmental impact report or report form in accordance with the provision of Article 24 of the Law of the PRC on Environmental Impact Assessment, the environmental protection administrative department at or above the county level shall order it to cease construction, and according to the circumstances of violation of law and damage, impose a fine of not less than 1% but not more than 5% of the total investment of the construction project on it, and order it to restore to the original state; and in accordance with the law, take disciplinary actions against the directly responsible person in charge and other directly liable persons of the construction entity;

(2) where the construction entity unlawfully commences construction of a project without obtaining the approval of its environmental impact report or report form or without obtaining new approval of the original approval department upon examination, it shall be punished or given disciplinary action in accordance with the provisions of the preceding paragraph; and

(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 RMB50,000 on it.

According to Article 21 of the Regulations on the Administration of Construction Project Environmental Protection which was issued on 16 July 2017 and took effect on 1 October 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 PRC 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.

Thermal Power Stations

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 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.

Our Environmental Protection Measures

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 environmental-related laws, regulations and standards in the PRC in order to ensure the internal environmental protection guidelines and policies of our Group is up-to-date, monitoring the compliance with the applicable environmental laws, regulations and standards by regularly inspecting the production 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 30 June 2024, our environmental protection department comprised 36 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 30 June 2024, we also had 2,380 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.

In the recent years, we have also bolstered our efforts towards energy efficiency during our production process. For example, the construction of the Yunnan green aluminum innovation industrial park makes full use of hydropower to reduce coal consumption and increase proportion of green energy. Our collaboration with the Scholz Group also enhances the level of recycling of aluminum resources through developing secondary aluminum.

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 stations. 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.

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 basis. Furthermore, we hold regular work safety training sessions for our special skilled workers and general staff to increase safety awareness, and conduct routine occupational health examinations for our employees.

INSURANCE

We maintain insurance policies with insurance companies in China which cover losses to our equipment, facilities, buildings and their improvements, vehicles and inventories arising from fire, lightning, explosion and aircraft accidents. Insurance coverage for our fixed assets and inventories in China amounted to approximately RMB14.36 million (US$1.98 million) as of 30 June 2024. Currently, we do not maintain business interruption insurance or insurance relating to the delivery of our products. 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. In addition, for losses of and damages to our molten aluminum alloy products during delivery, our delivery service providers are responsible if such losses and damages are attributable to their fault. The logistics service providers for aluminum alloy ingots, aluminum alloy casting-rolling products and aluminum busbars are generally responsible for losses of and damages to our products incurred during delivery pursuant to the relevant service agreements. We do not maintain any product liability insurance. We have not made any material claims under our insurance policies and have not experienced any material business interruptions since we commenced our operations.

EMPLOYEES

As of 30 June 2024, we employed approximately 50,628 full-time employees. The table below sets forth the breakdown of our employees by functions as of 30 June 2024.

Function	Number of employees
Aluminum production	24,015
Alumina production	11,173
Power station	6,494
Supply	281
Sales, marketing and delivery	394
Quality control	2,870
General management	5,401
Total	**50,628**

We believe that our management policies, working environment and employee development opportunities and benefits have contributed to good employee relations and employee retention. We provide additional benefits to our employees, such as free accommodation, allowances for medical care, food and transportation. We have not experienced any labor strikes or major labor disputes since our inception.

We provide training programs for our employees to equip them with the requisite skills and knowledge. This is achieved through various internal training programs. Each new employee is provided with necessary training programs and supervision from senior employees during the first four months on the job to facilitate the transfer of necessary skills.

The remuneration package of our employees includes salary and various types of allowances. In addition, we have established a performance-based award system under which employees may be awarded additional bonuses. Under the relevant labor and social welfare laws and regulations, we are required to pay each of our non-rural residence employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing reserve fund. As required by PRC regulations, we participate in the social insurance schemes operated by the relevant local government authorities.

LEGAL PROCEEDINGS

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. As of the date of this Offering Circular, we were not a party to any material arbitration, litigation or administrative proceedings which could be expected to have a material adverse effect on our business or results of operations. We are not aware of any pending or threatened material arbitration, litigation or administrative proceedings against us.

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 PRC (the "**Ministry of Industry and Information Technology**") and came into force on 28 February 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 18 July 2013 was abolished and replaced by the Standard.

According to the Notice of Guiding Opinions on Intensifying Structural Adjustments of the Aluminum Industry (《關於加快鋁工業結構調整指導意見的通知》) 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振興規劃》), 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 (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》)(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 (《關於開發區建設國內大型鋁產業集群基地的決定》)(the "**Decision**"), on 8 January 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 7 May 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 reduction. It states that future aluminum-processing projects shall be planned and developed to allow aluminum processing enterprises to source sufficient raw materials within the cluster. The Plan identifies certain companies and aluminum industry projects with a relatively large production scale which are in compliance with laws, relevant policies and the objective of the Plan, and confirms such companies or projects are entitled to enjoy the encouragement policy under the Plan. All of our domestic subsidiaries and our existing projects and projects under construction as existed on the date of the approval of Plan are identified as encouraged companies or projects pursuant to the Plan.

We believe that our business operations comply with relevant government policies, and the policies summarized above will not have material adverse impact on our operations. However, we are of the view that, if applicable laws and regulations change adversely and the relevant regulatory authorities change their understanding or enforcement of relevant policies in the future, we may be required to obtain further approvals or to meet other additional requirements, as a result of which we may be required to incur a significant level of expenditure for the purposes of, including but not limited to, upgrading our equipment, technology and production process. See "Risk Factors – Risks Relating to Our Industry – Future changes in laws, regulations or enforcement policies in China could adversely affect our business."

Environmental Protection

The latest Environmental Protection Law of the PRC (《中華人民共和國環境保護法》)(the "**Environmental Protection Law**"), which came into force in 2015, aims to protect and improve the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The State Environment Protection Administration of the PRC (中華人民共和國國家環境保護總局), which has been renamed as the Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部), is responsible for the overall supervision and administration of environmental protection work in the PRC and formulates national standards for pollutants and waste discharged in the PRC.

According to the Environmental Protection Law of the PRC, where the construction of a project may cause any pollution to the environment, an environmental impact assessment must be performed to determine the preventive and remedial measures to be adopted, and the relevant environmental protection administration approval shall be obtained. Enterprises discharging pollutants must register with relevant environmental protection administration departments. Enterprises discharging pollutants in excess of the standards set by the Ministry of Ecology and Environment of the PRC shall be responsible for paying a sewage discharge fee for exceeding the standard and the cost of eliminating the pollutants.

Depending on the circumstances and the extent of the pollution, the relevant environmental protection administration departments may impose various types of penalties on persons or enterprises who are in violation of the Environmental Protection Law. According to the Environmental Protection Law of the PRC revised in 2014, penalties include: fines, restricting production, suspending business for rectification, ordering cessation of business or closedown, ordering cessation of construction; ordering restoration to the original state, detention and; assuming tort liability where any damage is caused by environmental pollution or ecological disruption.

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.

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染防治法》); the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》); 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染環境防治法》); the Law of the PRC on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》); and the Water Law of the PRC (《中華人民共和國水法》).

In accordance with the requirements of relevant laws and regulations on environment protection, we have adopted advanced technologies and equipment to prevent and reduce pollution. All of our construction and extension projects comply with the relevant environmental impact assessment procedures for construction projects and have undergone inspection and have been approved by the relevant environmental protection authorities (where necessary). We have reported to and registered with the relevant environmental protection administration departments for pollutants discharge and have obtained the Permit for the Discharge of Pollutants.

Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)(the "**EIT Law**") promulgated by the National People's Congress on 16 March 2007 and effective as of 1 January 2008, newly amended on 29 December 2018, a uniform income tax rate of 25% is imposed on foreign investment enterprises and domestic enterprises.

Pursuant to the EIT Law and its implementation regulations, a resident enterprise is subject to enterprise income tax on income derived from both inside and outside the territory of the PRC. An organization or establishment set up by a nonresident enterprise in the PRC is subject to enterprise income tax on income derived from such organization or establishment in the PRC and on income derived from outside the PRC which is connected with such organization or establishment in the PRC. For a nonresident enterprise which has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, its income derived in the PRC will be subject to enterprise income tax at the rate of 10%.

In addition, the Notice of the State Administration of Taxation on Issues Relating to Determining the Resident Enterprise Status of Overseas Registered Chinese Holding Enterprises Based on the "de facto Management Bodies" Standard (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), which was promulgated on 22 April 2009 and has retroactive effect from 1 January 2008, amended on 29 December 2017, provides specific tests regarding under what situations an enterprise's "de facto management body" would be considered to be located in the PRC. 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). Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently take the position that we and our Hong Kong and BVI subsidiaries are not PRC resident enterprises 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 or the Subsidiary Guarantors are treated as a PRC resident enterprise, interest in respect of the Bonds 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 Bonds 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 (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), 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區關於對所得避免雙重徵稅和防止偷漏稅的安排》), (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 withholding tax rate is 10% for the relevant dividends. We will be required to pay Additional Amounts with respect to PRC withholding tax on interest payments, subject to certain exceptions. See "Terms and Conditions of the Bonds – Taxation".

Our PRC subsidiaries shall pay taxes to the competent tax authorities in accordance with the EIT Law. Currently, our PRC subsidiaries are not subject to any favorable treatment regarding Enterprise Income Tax and the applicable tax rate is 25%. The withholding tax rate with respect to the payment of dividends by our PRC subsidiaries to Hongqiao Hong Kong is 5%. We may be required to make additional tax payments and pay penalties if we fail to fulfill our tax liabilities. As of the date of Latest Practicable Date, no penalty has been imposed on us or our subsidiaries due to violation of tax laws and regulations. We have obtained Tax Registration Certificates according to the relevant laws and regulation and there is no expiry date in respect of those certificates.

VAT

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) and its implementation regulations as amended on 19 November 2017 by the State Council, and its implementation regulations, unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate is 17%. Our PRC subsidiaries are required to pay the VAT for sale of aluminum products. Currently, our PRC subsidiaries are subject to a VAT rate of 17% on the sales revenue of our products in general (11% for the steam sold by Aluminum & Power). According to provisions in the Notice on Adjusting the Value-added Tax Rates (Caishui [2018] No. 32)(《關於調整增值稅稅率的通知》(財稅[2018]32號)) issued by the State Administration of Taxation, Ministry of Finance, where taxpayers make VAT taxable sales or import goods, the applicable tax rates was adjusted from 17% to 16% and from 11% to 10%, respectively. The Notice and the adjusted VAT rates I.C. took effect on 1 May 2018. Pursuant to the Announcement on Policies for Deepening the VAT Reform ([2019] No. 39)(《關於深化增值稅改革有關政策的公告》), effective from 1 April 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 Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), effective from 1 December 2010, the Urban Maintenance and Construction Tax Law of the PRC (《中華人民共和國城市維護建設稅法》), effective from 1 September 2021, the Provisional Rules on Levy of Education Surcharge (《徵收教育費附加的暫行規定》(2011年修訂)), promulgated in 2011, and other regulations and rules promulgated by the State Council and other competent authorities of the relevant financial and tax authorities shall apply to foreign-invested enterprises, foreign enterprises and foreign individual.

Pursuant to the Urban Maintenance and Construction Tax Law of the PRC (《中華人民共和國城市維護建設稅法》), all entities and individuals subject to VAT and consumption tax within the territory of the PRC shall be taxpayers of urban maintenance and construction tax and shall pay urban maintenance and construction tax in accordance with this law. If a taxpayer is located in the urban areas, the rate is 7%; if a taxpayer is located in counties and towns, the rate is 5%; and if the taxpayer is located in places other than urban areas, counties or towns, the rate is 1%. No urban maintenance and construction tax shall be levied on VAT or consumption tax paid for the import of goods or sale of labor services, other services and intangible assets in China by overseas entities or individuals.

Pursuant to Announcement of the Ministry of Finance and the State Taxation Administration on the Measures for Determining the Tax Basis of Urban Maintenance and Construction Tax and Other Matters (《財政部、稅務總局關於城市維護建設稅計稅依據確定辦法等事項的公告》, effective from 1 September 2021, urban maintenance and construction tax shall be calculated based on the amount of value-added tax ("**VAT**") and consumption tax (hereinafter referred to as "**amount of two taxes**") actually paid by taxpayers in accordance with the law. The "amount of two taxes actually paid in accordance with the law" means the amount after deducting the amount of two taxes directly reduced or waived and the amount of refund of term-end excess input VAT credits from the amount of two taxes payable as calculated by taxpayers in accordance relevant VAT and consumption tax laws and regulations and policies (excluding the amount of two taxes paid for the import of goods or paid by overseas entities and individuals for selling labor services, services, and intangible assets in China) plus the amount of VAT exemption and offset. The tax basis of educational surtax and local education surcharges is consistent with that of urban maintenance and construction tax.

Pursuant to the Provisional Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) promulgated on 1 July 1986, revised on 8 January 2011, the tax rate of the education surcharge is 3% based on the amount of the value-added tax, business tax and consumption tax actually levied on all entities and individuals and the education surcharge shall be paid with the foregoing taxes simultaneously.

Labor Law and Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》)(the "**Labor Law**") effective as of 1 January 1995, newly amended on 29 December 2018, laborers are entitled to equality in employment and right to choose occupations, right to obtain remuneration, right to rest and enjoy holidays, rights to be provided with safety workplace and health protection, right to receive vocational skill training, right to enjoy social insurance and social benefits, right to submit labor disputes for handling as well as other entitlements prescribed by law. Laborers shall fulfil their labor tasks, improve their vocational skills, follow rules on occupational safety and health and observe labor discipline and professional ethics. Employing units shall set up and perfect regulations and systems according to law and ensure that laborers shall have the right to labor and perform their obligation.

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》)(the "**Labor Contract Law**") effective as of 1 January 2008, which was amended on 28 December 2012 and effective in July 2013, and its implementation regulations, labor contracts shall be entered into if labor relationships are to be established between the employers and the laborers. The employers cannot require the laborers to work beyond the time limit and shall provide in a timely manner the wages which are not lower than local standards on minimum wages to the laborers. The employers shall establish and perfect its system for labor safety and sanitation, strictly abide by rules and standards on labor safety and sanitation, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall meet such standards. The employers shall provide laborers with a safe and sanitary work environment meeting the State's stipulations and necessary equipment for labor protection.

Our PRC subsidiaries are required to protect their employees' labor rights in accordance with the Labor Law. These subsidiaries shall enter into labor contracts with their employees, and pay salaries, provide social insurance and safety and healthy work conditions and ensure their employees' rights for holiday 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 30 June 2024, 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生產法》)(the "**Production Safety Law**"), effective from 1 November 2002 and newly amended on 10 June 2021, production and operating enterprises should be equipped with the safety conditions for production as set out in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that does not comply with such safety conditions will not be allowed to be engaged in any production or operating activities. Production and operating units should provide education and training programs to their employees regarding production safety. The design, manufacturing, installation, application, checking, maintenance, reforming and abandonment of safety facilities should follow the national standards or industrial standards. In addition, production and operating units should provide employees with protective equipment that meets national standards or industrial standards, and educate and supervise them in strictly complying with the production rules and regulations as well as operation procedures of the relevant units regarding safety.

We are required to commit a certain amount of expenditures to comply with the above production safety regulations. Should there be any industrial accidents due to noncompliance of the Production Safety Law and related regulations, we may be subject to penalties imposed by competent authorities and liable to any compensation arising therefrom. Our goodwill in the market may also be adversely affected. On the other hand, continuous compliance with the requirements of production safety will reduce the operating risks of our Group and will be conducive to the enhancement of our operating results. We have adopted all necessary measures to ensure the production safety in the workplace and we undertake to comply with the relevant laws and regulations on production safety. Furthermore, the Safety Law has been amended on 31 August 2014, and the amended Safety Law became effective on 1 December 2014. The Safety Law was further amended on 10 June 2021 and implemented since 1 September 2021.

Foreign Exchange

Pursuant to the Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), international payment in foreign exchange and transfer of foreign exchange under current accounts shall not be subject to the restrictions of the State. The income of foreign exchange of domestic institutions or individuals can be transferred back into China or deposited overseas. The specific requirements and terms related to the transfer or deposit shall be prescribed by the foreign exchange administration department of the State Council in light of the balance of international payment and the status of foreign exchange administration. Foreign exchange incomes and payments under the current account shall be made based on authentic and lawful transactions. The foreign exchange incomes under the current account may be retained or transferred to financial institutions operating the foreign exchange sale and settlement business. If offshore institutions or offshore individuals propose to make onshore direct investments, they shall complete registration with the foreign exchange administrative authority upon approval of the relevant competent authorities. As a foreign-invested enterprise, Shandong Hongqiao has obtained a foreign exchange registration certificate which did not specify any expiry date.

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 30 June 2024, our Company has not been imposed any administrative penalties due to violation of foreign exchange laws and regulations.

SAFE issued Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (Hui Fa [2014] 37)(《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》(匯發[2014]37號)), or Circular 37, effective on 4 July 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資法》) as implemented by the Standing Committee of the National People's Congress on 15 March 2019 and entered into force on 1 January 2020, and the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) as promulgated by the State Council on 26 December 2019 and became effective on 1 January 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質量法》) as amended by the Standing Committee of the National People's Congress, 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 our Board of Directors:

Name	Age	Position
Mr. Zhang Bo	55	Chairman, Executive Director and Chief Executive Officer
Ms. Zheng Shuliang	78	Vice Chairman and Executive Director
Ms. Zhang Ruilian	47	Vice President, Chief Financial Officer and Executive Director
Ms. Wong Yuting	40	Executive Director and Head of Corporate Finance Department
Mr. Yang Congsen	55	Non-executive Director
Mr. Zhang Jinglei	48	Non-executive Director
Mr. Tian Mingming	46	Non-executive Director
Mr. Zhang Hao	50	An alternate Director to Mr. Tian Mingming
Ms. Sun Dongdong	47	Non-executive Director
Mr. Wen Xianjun	62	Independent Non-executive Director
Mr. Han Benwen	74	Independent Non-executive Director
Mr. Dong Xinyi	48	Independent Non-executive Director
Ms. Fu Yulin	59	Independent Non-executive Director

Executive Directors

Mr. Zhang Bo（張波）, aged 55, was appointed as an executive Director and the chief executive officer of our Company on 16 January 2011. He was elected as the chairman of the Board and a member of each of the remuneration committee and nomination committee of the Board on 31 May 2019. He has been the chairman of the nomination committee of the Board since 16 May 2023 and the chairman of the sustainability committee of the Board since 14 March 2025. He graduated from Shandong Broadcast and Television University（山東廣播電視大學）majoring in financial accounting and obtained a bachelor's degree in economics in August 1996. He also obtained a master degree in software engineering in Wuhan University（武漢大學）in June 2005. He is responsible for the overall strategic planning and operation of our Group. He joined our Group in 2006 and has eighteen years of experience in aluminum industry. He had been the deputy general manager of Shandong Weiqiao Chuangye Group Company Limited（山東魏橋創業集團有限公司）("**Weiqiao Chuangye Group**") from April 1998 to February 1999, and successively served as the general manager, executive director and chairman of Weiqiao Textile Company Limited（魏橋紡織股份有限公司）("**Weiqiao Textile**", a company formerly listed on the Stock Exchange, stock code before delisting: 2698.HK) (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited（威海魏橋紡織有限公司）from July 2001 to May 2010, the chairman and general manager of Binzhou Weiqiao Technology Industrial Park Company Limited（濱州魏橋科技工業園有限公司）("**Binzhou Industrial Park**") from November 2001 to May 2010, the general manager of Shandong Hongqiao from January 2010 to January 2021, the chairman of Binzhou Aluminum Industry Association from June 2014 to August 2020, a vice chairman of the International Aluminium Institute from November 2016 to August 2020, an executive director and the general manager of Shandong Hongtuo Industrial Company Limited（山東宏拓實業有限公司）("**Hongtuo Industrial**") from June 2019 to December 2021 and an alternative director of Shiping Global Holding Company Limited from December 2018 to May 2019. Currently, he is the managing director (since November 2006), chairman (since January 2007) and general manager (since February 2007) of Weiqiao Aluminum & Power, a director (since January 2010) and the general manager (since November 2021) and the chairman (since June 2019) of Shandong Hongqiao, a director of Hongqiao (HK) International Trading Limited 宏橋(香港)國際貿易有限公司 ("**Hongqiao (HK) Trading**") since April 2012, a director of Hongqiao Investment (Hong Kong) Limited 宏橋投資(香港)有限公司 ("**Hongqiao Investment (Hong Kong)**") since January 2015, a director (since November 2012) and the chairman (since September 2018) of Weiqiao Chuangye Group, a director of China Hongqiao Investment Limited 中國宏橋投資有限公司 since May 2019, the chairman of Hongtuo Industrial since December 2021, an executive director of Hongqiao International Trading Limited 宏橋國際貿易有限公司 since April 2020 and a director of Shiping Global Holding since May 2019. He has been the honorary chairman of Binzhou Aluminum Industry Association since August 2020, a deputy president of China Nonferrous Metals Industry Association since March 2015, the chairman of Shandong Aluminium Industry Association since March 2019, the chairman of Binzhou Entrepreneurs Association

(濱州市企業家協會, formerly known as the Binzhou Association of Enterprises and Entrepreneurs (濱州市企業與企業家聯合會)) since January 2020, the vice chairman of Binzhou Shiping Charity Foundation (since September 2020) and the chairman of Binzhou Charity Federation (since October 2020), honorary president of Zouping City Entrepreneurs Association (since May 2022). He was selected by the State Council as "National Model Worker" in 2010. He is a representative of the Fourteenth National People's Congress of the PRC and a representative of the twelfth Shandong Provincial People's Congress. Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

Ms. Zheng Shuliang (鄭淑良), aged 78, was appointed as the vice chairman and an executive Director of our Company on 16 January 2011 and a member of the sustainability committee of the Board since 14 March 2025. She joined our 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 Weiqiao Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Weiqiao Chuangye Group from June 1999 to June 2001. She is currently a director and the vice chairman of Shandong Hongqiao (since January 2010), a director of Weiqiao Aluminum & Power (since November 2011) and the chairman of Binzhou Shiping Charity Foundation (since September 2020). She is the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen.

Ms. Zhang Ruilian (張瑞蓮), aged 47, was appointed as an executive Director on 11 December 2017 and a member of the sustainability committee of the Board since 14 March 2025. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She also obtained the bachelor's degree in accounting from Beijing Foreign Studies University in July 2019. She joined our Group in June 2006 and has over 24 years of experience in accounting. She is responsible for the supervision of our Group's finance and accounting affairs. She served as the manager of audit department of Weiqiao Chuangye Group from December 2005 to June 2006. She has been the head of financial department of Weiqiao Aluminum & Power since June 2006, a director of Weiqiao Aluminum & Power since December 2014, the manager of financial department of Shandong Hongqiao since February 2010, a director of Shandong Hongqiao since December 2014, and a director of Hongqiao (HK) Trading since April 2012. She is currently the vice president (since January 2011) and the chief financial officer of our Company (since September 2014) and the director of Weiqiao Chuangye Group (since February 2024).

Ms. Wong Yuting (王雨婷), aged 40, was appointed as an executive Director on 20 August 2021 and a member of the sustainability committee of the Board on 14 March 2025. She graduated from the business school of The University of Nottingham (United Kingdom) in December 2008, majoring in risk management and microeconomics. She joined our Company in June 2011. Ms. Wong was the head of investor relations of our Company from June 2011 to January 2023 and has been the head of corporate finance of our Company from March 2014 to present, and is responsible for our Company's foreign capital markets, institutional investor communications, financing and mergers and acquisitions.

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 55, was appointed as a non-executive Director on 16 January 2011 and a member of the sustainability committee of the Board since 14 March 2025. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. He also obtained a master's degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He joined our Group in January 2007 and has over 24 years of management experience. He was responsible for the production and operations of the self-owned power plants of our Group and was also the deputy general manager of Weiqiao Aluminum & Power prior to the listing of our Company in 2011. He held the positions of the network administrator of human resources division of Weiqiao Chuangye Group (including its predecessor) from October 1997 to December 1999, the head of thermal power plant of Weiqiao Chuangye Group from December 1999 to October 2003, the deputy general manager of Weiqiao Chuangye Group from January 2005 to June 2006 and the general manager of Shandong Hongqiao from January 2021 to December 2021. He is currently a director of Weiqiao Chuangye Group, a director of Shandong Hongqiao (since January 2010), a director of Weiqiao Aluminum & Power (since December 2006), the managing director of Hongtuo Industrial (since December 2021) and a director and the chairman of Hontron Holding (a company listed on the Shenzhen Stock Exchange, stock code: 002379.SZ) since January 2024. He is the son-in-law of Ms. Zheng Shuliang and the brother-in-law of Mr. Zhang Bo.

Mr. Zhang Jinglei(張敬雷), aged 48, was appointed as a non-executive Director on 16 January 2011 and a member of the sustainability committee of the Board since 14 March 2025. He graduated from Chang'an University(長安大學, formerly known as Xi'an Engineering College(西安工程學院)) and obtained the junior college diploma in proximate analysis in July 1997. He also graduated from Tsinghua University in 2024 with a Master of Business Administration degree. He joined our Group in January 2011. He joined Weiqiao Textile (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile (including its predecessor) from September 1998 to September 2000, and has successively worked at the securities office, production technology section and the capital markets department of Weiqiao Textile since October 2000. He was an executive director (from June 2010 to March 2024) and the company secretary (from May 2010 to March 2024) of Weiqiao Textile. He is currently a director of Weiqiao Textile, a director of Weiqiao Chuangye Group (since September 2018), a director of Shandong Hongqiao (since January 2021) and a chairman of WEIQIAO Germany GmbH since December 2024.

Mr. Tian Mingming(田明明), aged 46, was appointed as a non-executive Director on 11 July 2024. He graduated from Central University of Finance and Economics(中央財經大學) with a bachelor's degree majoring in international finance in July 2000. He also graduated from Renmin University of China(中國人民大學) in July 2003 majoring in finance and obtained a master's degree of economics. From July 2003 to February 2011, he successively served as a secretary and a secretary (deputy division level) of the secretariat of the office of China Export & Credit Insurance Corporation(中國出口信用保險公司). From February 2011 to March 2011, he served as the deputy division director of the first underwriting division of the special export insurance underwriting department of China Export & Credit Insurance Corporation(中國出口信用保險公司). From March 2011 to March 2019, he successively served as the deputy general manager, deputy general manager (presiding over the work) and the general manager of the fourth trust business department of CITIC Trust Co., Ltd.(中信信託有限責任公司, "**CITIC Trust**"). From March 2019 to March 2020, he served as the business director of CITIC Trust and general manager of the fourth trust business department of CITIC Trust. From March 2020 to January 2021, he served as the business director of CITIC Trust and the general manager of the international business department of CITIC Trust. From January 2021 to May 2024, he served as the general manager of the international business department of CITIC Trust. Since May 2024, he has served as a member of the Party Committee and the deputy general manager of CITIC Trust.

Mr. Zhang Hao(張浩), aged 50, was appointed as an alternate Director to Mr. Tian Mingming on 11 July 2024. He graduated from University of International Business and Economics(對外經濟貿易大學, formerly known as China Institute of Finance(中國金融學院)) with a bachelor of economics degree majoring in international finance in July 1996. He served as a foreign exchange trader and the deputy manager of the treasury department of China CITIC Bank Corporation Limited (中信銀行股份有限公司, stock code: 998.HK and 601998.SH, formerly known as China CITIC Industrial Bank) successively from August 1996 to June 2003. He served as a director of the financial market department of Calyon Hong Kong Limited from July 2003 to June 2005, and an executive director of the financial market department of Bear Stearns Asia Limited from July 2005 to June 2008. He also served as the managing director of the financial market department of Standard Chartered Bank (HK) Ltd, from July 2008 to July 2014. From 11 December 2017 to 2 February 2018 and from 31 August 2018 to 27 January 2021, he served as an alternate Director to Mr. Chen Yisong(陳一松先生), a former non-executive Director. From 27 January 2021 to 29 December 2022, he served as an alternate Director to Mr. Li Zimin(李子民先生), a former non-executive Director. From 29 December 2022 to 28 December 2023, he served as an alternate Director to Mr. Liu Xiaojun(劉小軍先生), a former non-executive Director. From 28 December 2023 to 11 July 2024, he served as an alternate Director to Mr. Tu Yikai(涂一鍇先生), a former non-executive Director. Since August 2014, he has served as the chief executive officer and the director of CTI Capital Management Limited (中信信惠國際資本有限公司) and also served in CTI Capital Hong Kong Limited (中信信惠國際資本(香港)有限公司), being a wholly-owned subsidiary of CTI Capital Management Limited (中信信惠國際資本有限公司) and holding licenses issued by the Securities and Futures Commission of Hong Kong to carry out regulated activities) as the chief executive officer, the director and the responsible officer for type 1 (dealing in securities) and type 4 (advising on securities) regulated activities and the licensed representative for type 9 (asset management) regulated activities.

Ms. Sun Dongdong (孫冬冬), aged 47, was appointed as a non-executive Director on 5 March 2021 and a member of the sustainability committee of the Board since 14 March 2025. She graduated from Shandong Institute of Architectural Engineering (山東建築工程學院) majoring in heating, ventilation and air conditioning engineering in July 1998 and she is a certified senior economist and budget specialist. She successively held various positions in Weiqiao Aluminum & Power, as the chief of the supply section from November 2000 to June 2006, the chief of electrical and mechanical services section of the material supply department from June 2006 to May 2010, the chief of budget audit section from May 2010 to June 2011, the chief of audit supervisory department from June 2011 to March 2018, and the chief of audit department from March 2018 to October 2020. She has been serving as a supervisor of Shandong Hongqiao since June 2019, a supervisor of Weiqiao Aluminum & Power since June 2019, a supervisor of Yunnan Hongqiao New Material Co., Ltd. (雲南宏橋新型材料有限公司) since October 2019, a supervisor of Yunnan Hongtai since October 2019, a supervisor of Shanghai Helu Equity Investment Management Co., Ltd. (上海和魯股權投資管理有限公司) since November 2019, the chief of audit department of Shandong Hongqiao since October 2020, and a supervisor of Weiqiao Chuangye Group since February 2024.

Independent Non-Executive Directors

Mr. Wen Xianjun (文獻軍), aged 62, was appointed as an independent non-executive Director on 5 March 2021. He has been a member of the audit committee and remuneration committee of the Board since 16 May 2023. 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 also 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 from August 1984 to August 1987, an engineer of the technology department of China National Non-ferrous Metals Industry Corporation (中國有色金屬工業總公司) from July 1990 to June 1992, a deputy director and a senior engineer of Development and Exchange Centre of China Nonferrous Metals Industry Technology (中國有色金屬技術開發交流中心) from September 1992 to January 1996, a deputy director of the investment and operations department and a senior engineer of China National Non-ferrous Metals Industry Corporation (中國有色金屬工業總公司) from February 1996 to April 1998, the deputy head, a director-level consultant and a senior engineer of Industry Administration Department of the State Nonferrous Metals Industry Administration of China (國家有色金屬工業局行業管理司) from May 1998 to December 2000, as well as the director of CPC Central Enterprise Working Committee (中央企業工委) from January 2001 to March 2001. He successively served as the deputy head of industry coordination department, the head of the aluminum department, the vice chairman and a professor level senior engineer of China Nonferrous Metals Industry Association (中國有色金屬工業協會) from April 2001 to April 2021 and also served as the chairman of China Nonferrous Metals Processing Industry Association (中國有色金屬加工工業協會) from October 2010 to October 2017. Mr. Wen has also served as an independent director in various listed companies. He served as an independent director of Henan Zhongfu Industrial Co., Ltd. (河南中孚實業股份有限公司)("**Zhongfu Industrial**") (a company listed on the Shanghai Stock Exchange (stock code: 600595.SH)) from October 2009 to November 2014, an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (寧夏東方鉭業股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000962.SZ) from March 2011 to October 2014, an independent director of Zhejiang Dongliang New Material Co., Ltd. (浙江棟樑新材股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code:

002082.SZ) from May 2011 to September 2013, an independent director of Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd.(焦作萬方鋁業股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000612.SZ) from July 2013 to October 2014, an independent director of Suzhou Lopsking Aluminium Co. Ltd.(蘇州羅普斯金鋁業股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 002333.SZ) from October 2013 to October 2014 as well as an independent director of China Zhongwang Holdings Limited(中國忠旺控股有限公司)(a company listed on the Stock Exchange, stock code: 01333.HK) from July 2008 to July 2021. He has served as an independent director of Henan Shenhuo Coal & Power Co., Ltd.(河南神火煤電股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 000933.SZ) since May 2020, an independent director of Guangdong Xingfa Aluminium Co. Ltd.(廣東興發鋁業有限公司)(a company listed on the Stock Exchange, stock code: 00098.HK) since August 2021, an independent director of Zhejiang Hailiang Co., Ltd(浙江海亮股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 002203.SZ) since September 2021 and an independent director of Zhongfu Industrial (a company listed on the Shanghai Stock Exchange, stock code: 600595.SH) since November 2021.

Mr. Han Benwen(韓本文), aged 74, was appointed as an independent non-executive Director, the chairman of the audit committee, the chairman of the remuneration committee and a member of the nomination committee of the Board on 16 January 2011. He graduated from Shandong University(山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognised by the Shandong Institute of Certified Public Accountants(山東省註冊會計師協會) 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(山東鑒鑫會計師事務所有限公司)(formerly known as Zouping Jianxin Certified Public Accountants Corporation(鄒平鑒鑫有限責任會計師事務所)) as an accountant from December 1999 to February 2007. He has been working in Zouping Hongrui Accounting & Consulting Services Center(鄒平宏瑞會計諮詢服務中心) as an accountant since February 2007.

Mr. Dong Xinyi(董新義), aged 48, was appointed as an independent non-executive Director and a member of the audit committee of the Board on 11 December 2017. He graduated from Northwest Institute of Politics and Law(西北政法學院) (currently known as Northwest University of Politics and Law(西北政法大學)) in Xi'an, 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.(韓中未來城市開發株式會社) in Korea from July 2009 to July 2010. He served as a postdoctoral researcher at Law School of Renmin University of China(中國人民大學) from July 2010 to June 2012. He served as an independent director of Guangdong Green Precision Components Co., Ltd.(廣東格林精密部件股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 300968.SZ) from September 2016 to August 2024. Since July 2012, he has been serving in various positions at Central University of Finance and Economics(中央財經大學)(the "**CUFE**"), including as a teaching staff, an associate professor and a professor. He has concurrently been serving as the deputy head of the Research Center for Financial Technology and Financial Consumer Rights Protection Law of CUFE(中央財經大學科技金融與金融消費者權益保障法治研究中心, formerly known as the Research Center for Internet and Informal Finance Laws of CUFE(中央財經大學互聯網金融與民間融資法治研究中心)) since May 2015 and the head of Research Center for Technology and Finance Law of CUFE(中央財經大學科技與金融法律研究中心) since June 2017. He has also been the director of Beijing Institute of Financial Services Law(北京市金融服務法學研究會) since December 2014, an attorney at Beijing King & Capital Law Firm(北京市京都律師事務所) since February 2016, and the director of Institute of Securities Law of China Law Society(中國法學會證券法學研究會) since April 2017. He served as a supervisor of Woori Bank (China) Limited(友利銀行(中國)有限公司) from September 2013 to January

2020 and has served as an independent director of Woori Bank (China) Limited since January 2020. He has been a non-executive director of Zhonghao Xiangyu Investment Management Co., Ltd.(中皓翔宇投資管理有限公司)since February 2016.

Ms. Fu Yulin(傅郁林), aged 59, was appointed as an independent non-executive Director and a member of the nomination committee of the Board on 16 May 2023. She graduated from Wuhan University(武漢大學)in June 1987 with a bachelor of laws degree, majoring in international laws. She also obtained a master of laws degree from Peking University(北京大學)in July 1998, majoring in civil laws and the degree of doctor of laws from the Renmin University of China(中國人民大學)in July 2001, majoring in litigation laws (civil litigation laws direction). Ms. Fu has been the professor of Peking University since August 2013. From July 1987 to July 1998, she successively served as the clerk, assistant judge and judge of the Wuhan Maritime Court(武漢海事法院). From July 2001 to June 2003, she conducted academic research in the judicial system and civil litigation laws in the post-doctoral mobile work station(博士後流動工作站)of Peking University. Since June 2003, she has been teaching and conducting research in the field of civil litigation laws, laws of evidence, arbitration laws and the judicial system in the Peking University Law School.

Senior Management

The biographies of Mr. Zhang Bo, the chief executive officer of our Company is disclosed under the section headed "Executive Directors".

The biographies of Ms. Zhang Ruilian, the chief financial officer of our Company is disclosed under the section headed "Executive Directors".

Company Secretary

Ms. Zhang Yuexia(張月霞), aged 49, was appointed as the secretary of our Company on 16 January 2011. She graduated from Binzhou Normal Specialised Postsecondary College(濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She received her bachelor's degree in accounting from China University of Petroleum (Huadong)(中國石油大學(華東)) in July 2020. She has over 23 years of accounting experience. She held the positions of the manager and section chief of accounting department of Chuangye Group from December 2001 to July 2009 and the deputy head of the securities department of Weiqiao Textile from March 2008 to January 2010. She has been serving as the director of Hongqiao Trading since April 2012. She had not served any position in our Group prior to 16 January 2011.

Board Committees

We have established the following four committees in our Board of Directors: an audit committee, a nomination committee, a remuneration committee and a sustainability committee. The committees operate in accordance with terms of reference established by our Board of Directors.

Audit Committee

Our audit committee consists of three independent non-executive Directors: Mr. Han Benwen, Mr. Wen Xianjun and Mr. Dong Xinyi. The chairman of the audit committee is Mr. Han Benwen. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Nomination Committee

We have established a nomination committee with written terms of reference. The current members of the nomination committee are Mr. Zhang Bo, Ms. Fu Yulin and Mr. Han Benwen. The nomination committee is chaired by Mr. Zhang Bo. The primary function of the nomination committee is to make recommendations to our board to fill vacancies on our Board.

Remuneration Committee

Our remuneration committee consists of two independent non-executive Directors, Mr. Han Benwen and Mr. Wen Xianjun, and an executive Director, Mr. Zhang Bo. The remuneration committee is chaired by Mr. Han Benwen, an independent non-executive Director. The primary duties of the remuneration committee include without limitation: (i) making recommendations to the Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

Sustainability Committee

Our sustainability committee consists of four executive Directors, Mr. Zhang Bo, Ms. Zheng Shuliang, Ms. Zhang Ruilian and Ms. Wong Yuting, and three non-executive Directors Mr. Yang Congsen, Mr. Zhang Jinglei and Ms. Sun Dongdong. The sustainability committee is chaired by Mr. Zhang Bo. The primary duty of the sustainability committee is to provide the guidance and formulate our Company's vision, goals, strategy and framework in relation to sustainability matters.

Compensation of the Directors and Management

Our Directors and senior management receive compensation in the form of salaries, allowances, bonuses and other benefits-in-kind, including our Company's contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including salaries, allowances and other benefits and contributions to pension schemes) which were paid to our Directors for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 was approximately RMB7,579,000, RMB7,738,000, RMB8,097,000 (US$1,114,184), RMB5,079,000 and RMB3,799,000 (US$522,760), respectively.

The aggregate amount of remuneration (including salaries, allowances and other benefits and contributions to pension schemes) which were paid by our Group to our five highest paid individuals for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 were approximately RMB8,133,000, RMB9,420,000, RMB14,249,000 (US$1,960,728), RMB4,988,603 and RMB5,945,567 (US$818,137), respectively.

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 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 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. During the year ended 31 December 2023, except that one non-executive Director waived emoluments of RMB300,000 and one non-executive Director, pursuant to service contract entered into between him and our Company, did not receive any director's emolument from our Company, none of our Directors waived any emoluments during the same year.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding the interests in our Shares, underlying Shares or our debentures as of the date of this Offering Circular by (i) our directors and (ii) those persons known by us to have such interests as required to be disclosed under the relevant Listing Rules and the SFO.

Name of director	Capacity/nature of interest	Number of Shares	Approximately Percentage of shareholding
Zhang Bo	Beneficial owner	8,870,000	0.09%
	Interest in persons acting in concert	6,090,031,073	64.35%

Name of beneficial shareholder	Capacity/nature of interest	Number of Shares	Approximately Percentage of shareholding
Shiping Prosperity Private Trust Company[(1)]	Trustee	6,090,031,073	64.35%
Hongqiao Holdings[(1)]	Beneficial owner	6,090,031,073	64.35%
Zhang Hongxia[(2)]	Interest in persons acting in concert	6,098,901,073	64.44%
Zhang Yanhong[(2)]	Interest in persons acting in concert	6,098,901,073	64.44%
CTI Capital Management Limited[(3)]	Beneficial owner	565,690,170	5.98%

Notes:

(1) Shiping Prosperity Private Trust Company held these Shares as trustee.

(2) Shiping Prosperity Private Trust Company held 100% equity interest in Hongqiao Holdings as trustee. Shiping Global Holding Company Limited ("**Shiping Global**") is the settlor, protector and one of the beneficiaries of Shiping Prosperity Trust. Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong held 40%, 30% and 30% equity interests in Shiping Global respectively, and to maintain an acting-in-concert arrangement in respect of the exercise of the shareholders' rights of Shiping Global. Accordingly, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company held by Hongqiao Holdings. In addition, Mr. Zhang Bo, as the beneficial owner, holds 8,870,000 shares in the Company. By virtue of the acting-in-concert arrangement, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company beneficially held by Mr. Zhang Bo.

(3) According to the disclosure of interests as set out on the website of the Hong Kong Stock Exchange, CTI Capital Management Limited was interested in 565,690,170 shares of the Company in long position.

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 three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024.

Name	Relationship
Chuangye Group	(1)
Binzhou Weiqiao Technology Industrial Park Co., Ltd. ("**Binzhou Industrial Park**") 濱州魏橋科技工業園有限公司	Controlled by Chuangye Group
Shandong Ming Hong Textile Technology Co., Ltd. ("**Ming Hong Textile**") 山東銘宏紡織科技有限公司	Controlled by Chuangye Group
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd.) ("**Beihai Solid Waste**") 濱州市北海魏橋固廢處置有限公司	Controlled by Chuangye Group
Shandong Ruixin Tendering Co., Ltd. ("**Shandong Ruixin**") 山東瑞信招標有限公司	Controlled by Chuangye Group
Binzhou City Public Construction Investment and Development Co., Ltd. ("**Binzhou Investment**") 濱州市公建投資開發有限公司	Controlled by Chuangye Group
Binzhou City Beihai Weiqiao Railway Engineering Co., Ltd. ("**Beihai Weiqiao Railway**") 濱州北海魏橋鐵路工程有限公司	Controlled by Chuangye Group
Zhanhua Weiqiao Port Logistics Co., Ltd. ("**Zhanhua Weiqiao Port Logistics**") 沾化魏橋港口物流有限公司	Controlled by Chuangye Group
Wudi Weiqiao Port Logistics Co., Ltd. ("**Wudi Weiqiao Port Logistics**") 無棣魏橋港口物流有限公司	Controlled by Chuangye Group
Zhanhua Jinsha Water Supply Co., Ltd. ("**Jinsha Water Supply**") 沾化金沙供水有限公司	An associate of Chuangye Group
CITIC Trust Co., Ltd. ("**CITIC Trust**")	Controlled by CITIC Group Corporation (2)
PT. Harita Jayaraya ("**Harita Jayaraya**")	(3)
PT. Cita Mineral Investindo, Tbk. ("**PT. Cita**")	(3)
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Shandong Innovation Carbon Materials Co., Ltd. ("**Innovation Carbon Materials**") 山東創新炭材料有限公司	An associate of a subsidiary of our Company
Zouping Binneng Energy Technology Co., Ltd. ("**Binneng Energy**") 鄒平濱能能源科技有限公司	An associate of a subsidiary of our Company
Africa Bauxite Mining Company Ltd. ("**ABM**")	An associate of a subsidiary of our Company
GTS Global Trading Pte. Ltd ("**GTS**")	An associate of a subsidiary of our Company
Shandong Weiqiao Haiyi Environmental Protection Technology Co., Ltd. ("**Weiqiao Haiyi**") 山東魏橋海逸環保科技有限公司	An associate of a subsidiary of our Company
Winning Consortium Simandou Railway Pte. Ltd. ("**WCSR**")	An associate of a subsidiary of our Company
Business Aviation Asia (Cayman) Limited ("**Business Aviation**")	An associate of a subsidiary of our Company
Shandong Xiangshang Clothing Culture Co., Ltd. ("**Shandong Xiangshang**") 山東向尚服飾文化有限公司	Entities controlled by Chuangye Group
Shandong Weiqiao Jiajia Home Textile Co., Ltd. ("**Weiqiao Jiajia**") 山東魏橋嘉嘉家紡有限公司	Entities controlled by Chuangye Group
Shandong Anhao Medical Protective Products Technology Co., Ltd. ("**Shandong Anhao Medical**") 山東安好醫療防護用品科技有限公司	Entities controlled by Chuangye Group
Aihuahai (Weihai) Graphic Imaging Co., Ltd. ("**Aihuahai (Weihai)**") 愛華海(威海)圖文影像有限公司	An associate of Chuangye Group
Shandong Weiqiao New Energy Co., Ltd. ("**Weiqiao New Energy**") 山東魏橋新能源有限公司	Entities controlled by Chuangye Group
Weiqiao Textile Co. Ltd. ("**Weiqiao Textile**") 魏橋紡織股份有限公司	Entities controlled by Chuangye Group
Weihai Weiqiao Energy Co., Ltd. ("**Weihai Weiqiao Energy**") 威海魏橋能源有限公司	Entities controlled by Chuangye Group
Shandong Binhong Photovoltaic New Energy Co., Ltd. ("**Shandong Binhong**") 山東濱宏光伏新能源有限公司	Entities controlled by Chuangye Group

Notes:

(1) Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong, who are acting in concert and the controlling shareholders of the relevant holding company of our Company, have a significant non-controlling beneficial interest in Chuangye Group. Chuangye Group is principally engaged in the production and sale of textiles. As of 30 June 2024, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong, together with their family members, in aggregate held (directly) approximately 64.44% of the equity interest of Chuangye Group.

(2) As of 31 December 2023, CITIC Trust is no longer as our related party.

(3) Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of our Company.

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

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
Purchases of water					
– Jinsha Water Supply	(21,633)	(24,315)	(26,113)	(12,229)	(16,686)
– Chuangye Group	(40,595)	(30,886)	(45,182)	(23,285)	(20,120)
Industrial waste expenses					
– Beihai Solid Waste	(162,185)	(160,569)	(101,394)	(43,591)	(40,428)
– Binneng Energy	–	–	(572)	–	–
Purchases of bauxite					
– GTS	(7,092,966)	(13,426,851)	(14,306,886)	(6,601,490)	(8,846,224)
– PT. Cita	(229,692)	(799,009)	(1,307,573)	–	(530,987)
Purchases of electricity					
– Binneng Energy	(12,204,938)	(14,938,883)	(13,298,361)	(7,636,460)	(6,662,647)
– Weihai Weiqiao Energy	–	–	(43,060)	(28,445)	–
– Shandong Binhong	–	–	(15,490)	(4,292)	(10,424)
– Chuangye Group	–	–	–	–	(1)
Purchases of anode carbon block					
– Innovation Carbon Materials	(1,426,136)	(2,394,356)	(1,677,340)	(914,363)	(688,110)
Sales of steam					
– Binzhou Industrial Park	12,020	10,453	13,535	7,206	7,624
– Ming Hong Textile	3,119	3,677	4,512	2,328	2,006
– Binzhou Investment	24,311	22,278	25,957	17,068	16,597
– Zhanhua Weiqiao Port Logistics	334	533	1,219	867	944
Legal and professional fee					
– Shandong Ruixin	(2,735)	(10,757)	(4,145)	–	(15,716)
– Business Aviation	–	–	(46,699)	–	(22,815)
– Weiqiao New Energy	–	–	–	–	(9,312)
Lease payment					
– Chuangye Group	(12,590)	(2,850)	(40,409)	(38,982)	(38,982)
– Harita Jayaraya	(1,308)	(1,070)	(1,236)	(589)	(589)
– PT. Antar Sarana Rekasa	(8,161)	(8,427)	(8,640)	(4,176)	(4,180)
Interest income from an associate					
– Binneng Energy	114,780	114,780	114,780	60,333	60,333
– WCSR	–	41,834	140,828	53,623	145,820
– ABM	–	–	90,184	–	112,129
Purchases of collective investment trust					
– CITIC Trust	–	–	–	(2,494,000)	–
Investment income					
– CITIC Trust	–	–	–	70,805	–
Purchase of right-of-use assets					
– Chuangye Group	(151,261)	(83,604)	(764,798)	(525,127)	–
– Weiqiao Textile	–	(18,956)	–	–	–
Sales of water					
– Zhanhua Weiqiao Port Logistics	–	101	94	55	59
– Weiqao Haiyi	–	–	5	–	–

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
Sales of scraps material					
– Beihai Solid Waste	758	–	–	–	–
– Beihai Weiqiao Railway	3	–	–	–	–
– Zhanhua Weiqiao Port Logistics	76	–	–	–	–
– Wudi Weiqiao Port Logistics	98	–	–	–	–
– Weiqiao Haiyi	299	–	–	–	–
Purchases of steam					
– Binnneng Energy	–	–	(899,482)	(499,817)	(298,757)
– Weihai Weiqiao Energy	–	–	(3,922)	(2,212)	(2,348)
Purchases of coal					
– Binnneng Energy	–	–	(201,542)	–	–
Purchases of accessories					
– Shandong Xiangshang	–	–	(486)	(350)	(90)
– Weiqiao Jiajia	–	–	(705)	(645)	(28)
– Shandong Anhao Medical	–	–	(161)	(161)	–
– Weiqiao Haiyi	–	–	(340)	–	(169)
– Weiqiao Chuangye	–	–	(4)	–	–
– Binnneng Energy	–	–	–	–	(211)
Sales of electricity					
– Shandong Binhong	–	–	129	60	91
– Weiqiao Haiyi	–	–	–	–	20
Sales of aluminum products					
– Aihuahai (Weihai)	–	–	–	–	43,196
– Binnneng Energy	–	–	–	–	754
Purchases of aluminum products					
– Aihuahai (Weihai)	–	–	–	–	(4,938)
Sales of coal					
– Binnneng Energy	–	–	–	–	13,134

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

	For the year ended 31 December			For the six months ended 30 June	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
Chuangye Group	960,000	3,289,242	3,600,000	3,437,140	7,200,000
Binneng Energy	–	1,400,000	–	1,400,000	–

Except as disclosed above and as disclosed elsewhere in our financial statements for the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 (and the notes thereto) included elsewhere (or incorporated by reference) in this Offering Circular, 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

To fund our existing business operations and to finance our working capital requirements, we have borrowed money or incurred indebtedness from various banks. As of 30 June 2024, our total borrowings amounted to approximately RMB70,442.1 million (US$9,693.2 million), of which approximately RMB12,213.1 million (US$1,680.6 million) were secured borrowings. As of 30 June 2024, our total bank borrowings amounted to approximately RMB44.0 billion (US$6.1 billion), of which approximately RMB29.9 billion (US$4.1 billion) was undrawn, and approximately 6.4% of which was USD bank borrowings and approximately 93.1% of which was RMB bank borrowings. Our short-term debt within one year and one to five year medium-term debt accounted for approximately 69.7% and 30.3% of our total debt as of 30 June 2024, respectively. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

Offshore Financing

The January 2021 CB

On 25 January 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 25 January 2026. The January 2021 CB bear interest from (and including) 25 January 2021 at the rate of 5.25% per annum calculated by reference to the principal amount thereof and payable in U.S. dollars semi-annually in arrears in equal installments in January and July in each year, commencing on 25 July 2021. The January 2021 CB constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the January 2021 CB) unsecured obligations of our Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of our 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 unsubordinated obligations.

The January 2021 CB may be converted into Shares at any time on or after 7 March 2021 up to the close of business on the tenth day prior to the stated maturity of the January 2021 CB (both days inclusive), or if such January 2021 CB shall have been called for redemption before the stated maturity of the January 2021 CB, then up to the close of business on a date no later than ten days (both days inclusive) prior to the date fixed for redemption thereof. Unless previously redeemed, converted or purchased and cancelled, our Company will redeem each January 2021 CB at 100% of the principal amount together with unpaid accrued interest thereon on 25 January 2026.

The initial conversion price ("**Conversion Price**") was HK$8.91. The Conversion Price will be subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalization of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities, other dilutive events and change of control of our Company.

The January 2021 CB also contain customary redemption provisions and events of default.

The January 2021 CB are unsecured as of the date of this Offering Circular. However, the January 2021 CB contain a customary negative pledge, pursuant to which holders of the January 2021 CB will be entitled to have the benefit of any collateral that holders of indebtedness similar to the type contemplated to be incurred under the Bonds have.

As of the date of this Offering Circular, we had a total of US$300,000,000 principal amount of the January 2021 CB Notes outstanding.

The March 2024 Notes

On 28 March 2024, we issued the March 2024 Notes with the aggregate principal amount of US$300,000,000, the materials terms of which are set out below:

- the March 2024 Notes will mature on 27 March 2025;
- the March 2024 Notes bear interest at a rate of 7.75% per annum;
- at any time prior to 27 March 2025, we may at our option redeem the March 2024 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the March 2024 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 27 March 2025, we may at our option redeem up to 35% of the aggregate principal amount of the March 2024 Notes with the net cash proceeds of one or more sales of common stock of our Company in an equity offering at a redemption price of 107.75% of the principal amount of the March 2024 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

As of the date of this Offering Circular, we had a total of US$300 million principal amount of the March 2024 Notes outstanding.

The January 2025 Notes

On 10 January 2025, we issued the January 2025 Notes with the aggregate principal amount of US$330,000,000, the materials terms of which are set out below:

- the January 2025 Notes will mature on 10 January 2028;
- the January 2025 Notes bear interest at a rate of 7.05% per annum;
- at any time prior to 10 January 2028, we may at our option redeem the January 2025 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the January 2025 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 10 January 2028, we may at our option redeem up to 35% of the aggregate principal amount of the January 2025 Notes with the net cash proceeds of one or more sales of common stock of our Company in an equity offering at a redemption price of 107.75% of the principal amount of the January 2025 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

As of the date of this Offering Circular, we had a total of US$330 million principal amount of the January 2025 Notes outstanding.

Term Loan Facility Agreements

The Indonesia Facility

On 25 November 2019, our Indonesia subsidiary, PT. Well Harvest Winning Alumina Refinery, entered into an amendment and restatement agreement relating to a senior facilities agreement dated 12 December 2016 (the "**Indonesia Phase I Facility**") with, among others, PT Bank DBS Indonesia (as facility agent), in relation to a US$545.0 million term loan facility (the "**Indonesia Phase II Facility**").

The Indonesia Phase II Facility was used to refinance the Indonesia Phase I Facility and to finance the construction and operation of the phase II alumina production facilities with an annual capacity of 1 million tons of alumina products in Indonesia and contains certain financial and project covenants such as indebtedness level and capital expenditures and certain events of default, including non-payment and change of control. Our Company also pledged its shares in PT. Well Harvest Winning Alumina Refinery.

The CBI November 2023 Facility

On 21 November 2023, we entered into a facility agreement with, among others, CBI as facility agent (the "**CBI November 2023 Facility**") and the lenders, pursuant to which the lenders agreed to make available to us term loans of initial amounts up to HK$1,535 million (HK$ tranche), RMB500 million (CNH tranche) and US$30 million (US$ tranche) (including a greenshoe option) for, among others, the refinancing of our existing indebtedness and funding of our work capital requirement.

The CBI November 2023 Facility will mature on the date which falls 36 months after 21 November 2023, with the principal amount payable in installments starting the date which falls 18 months after 21 November 2023. The interest rate for the relevant term loans is the HIBOR plus 3.20% per annum (in respect of the HK$ tranche), the LPR1Y plus 0.1% per annum (in respect of the RMB tranche), the CNH HIBOR plus 0.95% per annum (in respect of the CNH tranche, if any), or Term SOFR plus 3.20% per annum (in respect of the US$ tranche), respectively, subject to adjustment upon meeting certain sustainability targets in accordance with the terms of the CBI November 2023 Facility.

The CBI November 2023 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 our Group.

Pursuant to an additional facility accession agreement further entered into on 8 February 2024 among us, CBI and the additional lenders, the additional lenders agreed to make available to us term loans of additional amounts up to HK$250 million (HK$ tranche).

The CBI August 2024 Facility

On 1 August 2024, we entered into a facility agreement with China CITIC Bank International Limited ("**CBI**") as lender (the "**CBI August 2024 Facility**"), pursuant to which CBI agreed to make available to us term loan of US$40 million (or its equivalent in HK$ or CNH) for, among others, the refinancing of our existing indebtedness.

The CBI August 2024 Facility will mature on the date which falls 364 days after 1 August 2024, with the principal amount payable on the same day. The interest rate for the term loan is the Term SOFR plus 0.6% per annum (in respect of loan in US$), the HIBOR plus 3.20% per annum (in respect of loan in HK$), or 4% (or such other agreed percentage) per annum (in respect of loan in CNH).

The CBI August 2024 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 our Group.

Onshore Loans

Bilateral Loan Arrangements

Our PRC subsidiaries have entered into bilateral loan agreements with a number of PRC banks, including, without limitation, Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Everbright 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 ten 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 1.6% to 7.5% per annum as of 30 June 2024. 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 two to five 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 2.57% to 5.0% per annum as of 30 June 2024.

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 default. Failure to company with these covenants and other applicable rules and laws may constitute an event of default.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the US$300,000,000 aggregate principal amount of 1.50 per cent. Convertible Bonds due 2030 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) of China Hongqiao Group Limited 中國宏橋集團有限公司 (the "**Issuer**") and the right of conversion into Shares (as defined in Condition 6(A)(v)) was authorised by the board of directors of the Issuer (the "**Board of Directors**") on 14 March 2025. The Bonds are guaranteed by certain subsidiaries of the Issuer. Each subsidiary of the Issuer which guarantees the Bonds is referred to as a "**Subsidiary Guarantor**," and each such guarantee is referred to as a "**Subsidiary Guarantee**". The Bonds are constituted by the trust deed ((as amended or supplemented from time to time) the "**Trust Deed**") to be dated on or about 26 March 2025 (the "**Issue Date**") made between the Issuer, the Subsidiary Guarantors and The Bank of New York Mellon, London Branch as trustee for the holders of the Bonds (the "**Trustee**", which term shall, where the context so permits, include its successor(s) and all other persons or companies for the time being acting as trustee or trustees under the Trust Deed) and are subject to the agency agreement to be dated on or about 26 March 2025 (as amended or supplemented from time to time, the "**Agency Agreement**") with the Trustee, The Bank of New York Mellon, London Branch as principal paying agent and conversion agent (the "**Principal Agent**") and the other paying agents and conversion agents appointed under it (each a "**Paying Agent**" and "**Conversion Agent**") and The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**") and transfer agent (the "**Transfer Agent**" and, together with the Registrar and the Principal Agent, the "**Agents**") relating to the Bonds. References to the "**Principal Agent**", the "**Registrar**", the "**Transfer Agent**" and the "**Agents**" below are references to the principal agent, the registrar, the transfer agent and the agents for the time being for the Bonds, and where the context so permits, their respective successor(s). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Unless otherwise defined, terms used in these Conditions have the meanings specified in the Trust Deed. Copies of the Trust Deed and of the Agency Agreement are available for inspection during usual business hours at the principal office for the time being of the Trustee (presently at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom) and at the specified offices for the time being of each of the Agents following prior written request and proof of holding and identity to the satisfaction of the Trustee. The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

1 Status

(A) Status of the Bonds

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(A)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(A), at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations.

(B) Status of the Subsidiary Guarantees; Future Subsidiary Guarantors

(i) The Subsidiary Guarantors have, jointly and severally, unconditionally and irrevocably guaranteed on a senior basis the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The obligations of each Subsidiary

Guarantor under its Subsidiary Guarantee shall, save for such exceptions as may be provided by applicable law and subject to Condition 4(A), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(ii) The initial Subsidiary Guarantors that will execute the Trust Deed on the Issue Date will consist of China Hongqiao Investment Limited 中國宏橋投資有限公司, Hongqiao Investment (Hong Kong) Limited 宏橋投資(香港)有限公司 and Hongqiao (HK) International Trading Limited 宏橋(香港)國際貿易有限公司.

(iii) The Issuer will cause each of its future Subsidiaries (the "**Future Subsidiary Guarantor**") which guarantees (a) the payment of amounts payable under the Existing Notes or (b) the payment of amounts payable under any other Relevant Indebtedness (as defined below) to (x) execute and deliver to the Trustee a supplemental trust deed to the Trust Deed (a "**Supplemental Trust Deed**"), in the form set out in the Trust Deed, pursuant to which each such Subsidiary will guarantee the payment of any amount payable under the Bonds or the Trust Deed on a *pari passu* basis with the obligations of such Subsidiary under the Existing Notes and, as the case may be, any such other Relevant Indebtedness, (y) deliver to the Trustee an Officer's Certificate stating that a future Subsidiary will be a Future Subsidiary Guarantor and that the Trustee may enter into a Supplemental Trust Deed in accordance with the Conditions and the Trust Deed and (z) deliver to the Trustee a legal opinion by a law firm of recognised international standing (each in form and substance acceptable to the Trustee) confirming that under English law such Subsidiary Guarantee is valid, binding and enforceable against the Future Subsidiary Guarantor providing such Subsidiary Guarantee.

The Trustee shall not have any obligation to monitor or to take any steps to ascertain whether a Subsidiary is a Future Subsidiary Guarantor or to determine whether a Supplemental Trust Deed is required to be entered into and shall not be liable to the Bondholders or any other person for failing to do so. The Trustee may rely conclusively on the Officer's Certificate and the legal opinion and shall be authorised (without further consent from the Bondholders) to enter into the relevant Supplemental Trust Deed which shall be conclusive and binding on the Bondholders.

(iv) Under the Trust Deed, and any Supplemental Trust Deed, 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 Bonds. The Subsidiary Guarantors will (a) agree that their obligations under the Subsidiary Guarantees will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Bonds or the Trust Deed and (b) irrevocably waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Subsidiary Guarantees. Moreover, if at any time any amount paid under a Bond or the Trust Deed is rescinded or must otherwise be repaid or restored, the rights of the Bondholders 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.

(v) Under the Trust Deed and any Supplemental Trust Deed, 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.

(C) Release of Subsidiary Guarantees

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

(a) upon repayment in full of the Bonds;

(b) upon simultaneous release of such Subsidiary Guarantor from its obligations in respect of all of the Issuer's other indebtedness (including the Existing Notes and all other Relevant Indebtedness) and all indebtedness of other Subsidiaries, as the case may be; or

(c) upon the sale, merger or disposition of a Subsidiary Guarantor in compliance with these Conditions and the Trust Deed resulting in such Subsidiary Guarantor no longer being a Subsidiary, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of all of the Issuer's other indebtedness and all indebtedness of any other Subsidiary, as the case may be.

(ii) No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Bondholders until the Issuer has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorised and permitted by these Conditions and the Trust Deed. The Trustee shall be entitled to accept such Officers' Certificate as sufficient evidence of the satisfaction of the conditions precedent to the release of a Subsidiary Guarantor from its Subsidiary Guarantee, in which event it shall be conclusive and binding on the Bondholders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such Officers' Certificate. The Trustee is not obligated to investigate or verify any information in such Officer's Certificate.

In these Conditions:

"**Existing Notes**" means the 5.25% convertible bonds due 2026 issued by the Company on 25 January 2021, the 7.75% senior notes due 2025 issued by the Company on 25 March 2024 and the 7.05% senior notes due 2028 issued by the Company on 6 January 2025.

"**guarantee**" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term "**guarantee**" shall not include endorsements for collection or deposit in the ordinary course of business. The term "**guarantee**" used as a verb has a corresponding meaning.

"**Issue Date**" means the date on which the Bonds are originally issued under the Trust Deed.

"**Officer**" means one of the executive officers of the Issuer or, in the case of a Subsidiary Guarantor, one of the directors or executive officers of such Subsidiary Guarantor.

"**Officers' Certificate**" means a certificate signed by two Officers; provided that, with respect to any Subsidiary Guarantor having only one Officer, an "**Officers' Certificate**" means a certificate signed by such Officer.

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

"**Senior Notes**" means the 7.05% senior notes due 2028 issued by the Company on 6 January 2025.

"**Stated Maturity**" means, (i) with respect to any indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (ii) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such indebtedness.

"**Subsidiary Guarantee**" means any guarantee of the obligations of the Issuer under these Conditions, the Trust Deed and the Bonds by any Subsidiary Guarantor.

"**Subsidiary Guarantor**" means any initial Subsidiary Guarantor named herein and any Future Subsidiary Guarantor which guarantees the payment of the Bonds pursuant to these Conditions and the Trust Deed; provided that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with these Conditions and the Trust Deed.

2 Form, Denomination and Title

(A) Form and Denomination

The Bonds are issued in registered form in the denomination of US$200,000 each or integral multiples of US$200,000 in excess thereof (an "**Authorised Denomination**") without coupons attached. A bond certificate (each a "**Certificate**") will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the "**Register**") which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by a Global Certificate deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear and Clearstream. These Conditions are modified by certain provisions contained in the Global Certificate.

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

(B) Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" mean the person in whose name a Bond is registered (or, in the case of a joint holding, the first named thereof).

3 Transfers of Bonds; Issue of Certificates

(A) Register

The Issuer will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom and in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(B) Transfer

Subject to Condition 3(E) and Condition 3(F) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of such Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer or (if applicable) conversion of Bonds will, within five business days of receipt by the Registrar or, as the case may be, any other relevant Agent of the original certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Issuer's expense) to the address specified in the form of transfer.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred or converted, a new Certificate in respect of the Bonds not so transferred or converted will, within five business days of delivery of the original Certificate to the Registrar or other relevant Agent, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred or converted (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3 and Condition 6, "**business day**" shall mean a day other than a Saturday or Sunday or public holiday on which banks are open for business in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

(D) Formalities Free of Charge

Subject to Condition 3(E) and Condition 3(F), registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon payment (or the giving of such indemnity as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

(E) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to these Conditions; (ii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered with respect to a Bond; (iii) after a Relevant Event Redemption Notice (as defined in Condition 8(E)) has been deposited in respect of such Bond pursuant to Condition 8(E); or (iv) during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 7(A)). Each such period is a "**Closed Period**".

(F) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Trustee and the Registrar, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder upon request.

4 Negative Pledge and Other Covenants

(A) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and will ensure that none of its Subsidiaries will, create or have outstanding, any Encumbrance, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

In these Conditions:

(i) "**Encumbrance**" means a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person;

(ii) "**Relevant Indebtedness**" means any future or present indebtedness in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are or are issued with the intention on the part of the issuer thereof that they should be quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement) but shall not include any future or present indebtedness (a) under any secured loan facility (which term shall for these purposes mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may or may not be assigned and/or transferred) or (b) having an initial maturity of one year or less; and

(iii) "**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP.

(B) NDRC and CSRC Post-Issuance Filings

The Issuer undertakes to:

(i) file or cause to be filed with the NDRC within the relevant prescribed timeframes after the Issue Date the requisite information and documents in respect of the Bonds and comply with other reporting obligations in accordance with the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號))(the "**Order 56**") issued by the NDRC and which came into effect on 10 February 2023, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, including but not limited to, the Initial NDRC Post-Issuance Filing (as defined below);

(ii) file or cause to be filed with the CSRC within the relevant prescribed timeframes after the Issue Date the requisite information and documents in respect of the Bonds and comply with the continuing obligations in accordance with the CSRC Filing Rules and any implementation rules, reports, certificates, approvals or guidelines as issued by the CSRC from time to time, including but not limited to the Initial CSRC Post-Issuance Filing (as defined below); and

(iii) comply with all applicable PRC laws and regulations in connection with the Bonds, including but not limited to the Order 56, the CSRC Filing Rules and any implementation rules, reports, certificates, approvals or guidelines promulgated thereunder from time to time.

(C) Notification of Submission of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing

The Issuer shall:

(i) file or cause to be filed (a) with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Order 56 (the "**Initial NDRC Post-Issuance Filing**") and (b) with the CSRC the CSRC Filing Report and other requisite information and documents within three PRC Business Days after the Issue Date in accordance with the CSRC Filing Rules (the "**Initial CSRC Post-Issuance Filing**"); and

(ii) within ten PRC Business Days after the later of (a) the submission of the Initial NDRC Post-Issuance Filing and (b) the submission of the Initial CSRC Post-Issuance Filing, provide the Trustee with (i) a certificate in English signed by any authorised signatory of the Issuer substantially in the form scheduled to the Trust Deed, confirming (A) the submission of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing and (B) no Relevant Event, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of any document(s) evidencing the submission of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing, each certified in English by any authorised signatory of the Issuer as a true and complete copy of the original (the items specified in (i) and (ii) together, the "**Registration Documents**"). In addition, the Issuer shall at the same time as the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders in accordance with Condition 16 confirming the submission of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing.

The Trustee and the Agents may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor, assist or ensure the completion of the Initial NDRC Post-Issuance Filing or the Initial CSRC Post-Issuance Filing within the timeframe referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation or other documents in relation to or in connection with the Initial NDRC Post-Issuance Filing, the Initial CSRC Post-Issuance Filing and/or the Registration Documents or to translate or procure the translation into English of the Registration Documents or documents in relation to or in connection with the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing or to give notice to the Bondholders confirming the submission of the Initial NDRC Post-Issuance Filing and the Initial CSRC Post-Issuance Filing, and shall not be liable to the Issuer, any Bondholder or any other person for not doing so.

In these Conditions:

"**CSRC**" means the China Securities Regulatory Commission of the PRC;

"**CSRC Filing Rules**" means the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies(境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC on 17 February 2023 and became effective on 1 March 2023, as amended, supplemented or otherwise modified from time to time;

"**CSRC Filing Report**" means the filing report of the Issuer in relation to the issuance of the Bonds which will be submitted to the CSRC within three PRC Business Days after the Issue Date pursuant to Articles 13 and 16 of the CSRC Filing Rules;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**PRC**" means the People's Republic of China, which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Beijing;

5 Interest

The Bonds bear interest from and including the Issue Date at the rate of 1.50 per cent. per annum on the principal amount of the Bonds. Interest is payable semi-annually in arrear on 26 March and 26 September in each year (each an "**Interest Payment Date**") commencing on 26 September 2025. Each Bond will cease to bear interest (a) (subject to Condition 6(B)(iv)) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Conversion Date (as defined below) (or if such Conversion Date falls on or before the first Interest Payment Date, the Issue Date) subject to conversion of the relevant Bond in accordance with Condition 6(B), or (b) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of the full amount due is improperly withheld or refused or default is otherwise made in respect of any such payment. In such event, interest will continue to accrue at the rate of 3.50 per cent. (after as well as before any judgment) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of any Bond are received by or on behalf of the relevant holder and (ii) the day which is seven days after the Principal Agent or the Trustee has notified the Bondholders that it has received all sums due in respect of the Bonds up to such seventh day (except to the extent that there is a subsequent default in payment).

If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. Interest payable under this Condition will be paid in accordance with Condition 7(A).

6 Conversion

(A) Conversion Right

(i) *Conversion Period*: Subject to the right of the Issuer to make a Cash Election as provided in Condition 6(B)(v) and as hereinafter provided, Bondholders have the right to convert their Bonds into Shares (as defined in Condition 6(A)(v)) at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is referred to in these Conditions as the "**Conversion Right**". Subject to and upon compliance with, this Condition 6, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after 26 March 2028 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the tenth day prior to the Stated Maturity of the Bonds (both days inclusive) (but, except as provided in Condition 6(A)(iv) and Condition 10, in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Stated Maturity of the Bonds, then up to the close of business (at the place aforesaid) on a date no later than ten days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof (the "**Conversion Period**").

Notwithstanding the foregoing, if the Conversion Date in respect of a Bond would otherwise fall during a period in which the register of shareholders of the Issuer is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Shares (a "**Book Closure Period**"), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6(B)) following the expiry of such Book Closure Period.

If the Conversion Date in respect of the exercise of any Conversion Right is postponed as a result of the foregoing provision to a date that falls after the expiry of the Conversion Period or after the relevant redemption date, such Conversion Date shall be deemed to be the final day of such Conversion Period or the relevant redemption date, as the case may be.

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted into Hong Kong dollars at the fixed rate of HK$7.7719 = US$1.00 (the "**Fixed Exchange Rate**") by the Conversion Price in effect at the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any one time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted.

(ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if the Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 17 March 2025 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash (in US dollars) of a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds US$10.00. Any such sum shall be paid to the relevant Bondholders directly and not later than five Stock Exchange Business Days (as defined in Condition 6(B)(i)) after the relevant Conversion Date by means of a US dollar denominated cheque drawn on, or by a transfer to a US dollar account maintained by the payee with, a bank in New York City, in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice. Any payment due to be made to a Bondholder upon conversion of Bonds will be paid directly by the Issuer to such Bondholder.

(iii) *Conversion Price*: The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK$20.88 per Share, but will be subject to adjustment in the manner provided in Condition 6(C).

(iv) *Revival and/or survival after Default*: Notwithstanding Condition 6(A)(i), if (a) the Issuer shall default in making payment in full in respect of any Bond which shall have been called for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Stated Maturity of the Bonds by reason of the occurrence of any of the events under Condition 10, or (c) any Bond is not redeemed on the Stated Maturity of the Bonds in accordance with Condition 8(A), the Conversion Right attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and notwithstanding Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

(v) *Meaning of "Shares"*: As used in these Conditions, the expression "**Shares**" means ordinary shares of par value US$0.01 each of the Issuer or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer.

(B) Conversion Procedure

(i) *Conversion Notice*: To exercise the Conversion Right attaching to any Bond, the holder thereof must complete, execute and deposit at his own expense between 9:00 a.m. and 3:00 p.m. (local time) on any business day at the specified office of any Conversion Agent a notice of conversion (a "**Conversion Notice**") in duplicate and in the form (for the time being current) made available through the relevant clearing systems by the Conversion Agent, together with the relevant Certificate and confirmation that any amounts required to be paid by the Bondholder under Condition 6(B)(ii) have been so paid. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Conversion Agent to whom the relevant Conversion Notice is delivered is located.

The conversion date in respect of a Bond (the "**Conversion Date**") must fall at a time when the Conversion Right attaching to that Bond is expressed in these Conditions to be exercisable (subject to Condition 6(A)(iv) and Condition 10) and will be deemed to be the Stock Exchange Business Day (as defined below) immediately following the date of the surrender of the Certificate in respect of such Bond and delivery of such Conversion Notice to the Conversion Agent and, if applicable, confirmation of any payment to be made or indemnity given under these Conditions in connection with the exercise of such Conversion Right. A Conversion Notice deposited outside the hours specified above or on a day which is not a business day at the place of the specified office of the relevant Conversion Agent shall for all purposes be deemed to have been deposited with that Conversion Agent during the hours specified above on the next business day. If such delivery is made during a Book Closure Period, such delivery shall be deemed for all purposes of these Conditions to have been made on the Stock Exchange Business Day following (in the place of the specified office of the Conversion Agent) the last day of such Book Closure Period unless such date shall fall outside the Conversion Period.

A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal. "**Stock Exchange Business Day**" means any day (other than a Saturday or Sunday or public holiday) on which The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") or the Alternative Stock Exchange (as defined in Condition 6(D) below), as the case may be, is open for the business of dealing in securities.

(ii) *Stamp Duty etc.*: A Bondholder delivering a Certificate in respect of a Bond for conversion must pay directly to the relevant authorities any taxes and capital, stamp, issue and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the Cayman Islands and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the Hong Kong Stock Exchange or the Alternative Stock Exchange on conversion) (the "**Taxes**") and such Bondholder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond in connection with such conversion. The Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds. The Bondholder must declare in the relevant Conversion Notice that any taxes payable to the relevant tax authorities pursuant to this Condition 6(B)(ii) have been paid. Neither the Trustee nor any Agent is under any obligation to determine whether a Bondholder is liable to pay or has paid any Taxes including capital, stamp, issue, registration or similar taxes and duties or the amounts payable (if any) in connection with this Condition 6(B)(ii) and shall not be liable for any failure by a Bondholder or the Issuer to make any such payment to the relevant authorities or determine the sufficiency or insufficiency of any amount so paid.

(iii) *Registration*: Within five Stock Exchange Business Days after the Conversion Date, the Issuer will, in the case of Bonds converted on exercise of the Conversion Right and in respect of which a duly completed Conversion Notice has been delivered and the relevant Certificate and amounts payable by the relevant Bondholder as required by Conditions 6(B)(i) and 6(B)(ii) have been paid, register the person or persons designated for the purpose in the Conversion Notice as holder(s) of the relevant number of Shares in the Issuer's share register and will, if the Bondholder has also requested in the Conversion Notice and to the extent permitted under the rules and procedures of the Central Clearing and Settlement System of Hong Kong (the "**CCASS**") effective from time to time, take all necessary action to procure that Shares are delivered through the CCASS for so long as the Shares are listed on the Hong Kong Stock Exchange; or will make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Computershare Hong Kong Investor Services Ltd. at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) notified to Bondholders in accordance with Condition 16 or, if so requested in the relevant Conversion Notice, will cause its share registrar to mail (at the risk, and, if sent at the request of such person otherwise than by ordinary mail, at the expense, of the person to whom such certificate or certificates are sent) such certificate or certificates to the person and at the place specified in the Conversion Notice, together (in either case) with any other securities, property or cash required to be delivered upon conversion of the Bonds and such assignments and other documents (if any) as may be required by law to effect the transfer thereof, in which case a single share certificate will be issued in respect of all Shares issued on conversion of Bonds subject to the same Conversion Notice and which are to be registered in the same name.

If (A) the Registration Date (as defined below) in relation to the conversion of any Bond shall be on or after the record date for any issue, distribution, grant, offer or other event that gives rise to the adjustment of the Conversion Price pursuant to Condition 6(C), and (B) the Conversion Date in relation to such exercise shall be before the date on which such adjustment to the Conversion Price becomes effective under the relevant Condition (any such adjustment, a "**Retroactive Adjustment**"), upon the relevant adjustment to the Conversion Price becoming effective under the relevant Condition, the Issuer shall procure the issue to the converting Bondholder (or in accordance with the instructions contained in the Conversion Notice (subject to applicable exchange control or other laws or other regulations)), such additional number of Shares ("**Additional Shares**") as is, together with Shares to be issued on conversion of the Bond(s), equal to the number of Shares which would have been required to be issued on conversion of such Bond if the relevant adjustment to the Conversion Price had been made and become effective on or immediately prior to the relevant Conversion Date and in such event and in respect of such Additional Shares references in this Condition 6(B)(iii) to the Conversion Date shall be deemed to refer to the date upon which the Retroactive Adjustment becomes effective (notwithstanding that the date upon which it becomes effective falls after the end of the Conversion Period). If the Issuer has elected to pay the converting Bondholder cash in lieu of Shares pursuant to the Cash Settlement Option (as defined in Condition 6(B)(v)), the number of Additional Shares shall be determined by assuming that the Issuer had not elected the Cash Settlement Option. In such case, the Issuer shall satisfy its obligations under Condition 6(B)(v) by paying, as soon as practicable and in any event not later than ten Stock Exchange Business Days after the date of relevant adjustment of the Conversion Price under the relevant Condition becoming effective to the converting Bondholder an aggregate amount in U.S. dollars equivalent to the product of the Closing Price of any Share and any such Additional Shares on the date the Issuer would be required to deliver such Shares if the Cash Settlement Option had not been exercised (which shall be determined using the

Prevailing Rate on the Conversion Date). Neither the Trustee nor the Conversion Agent shall be responsible for determining, calculating or verifying the number of Shares or Additional Shares or cash payable to converting Bondholders pursuant to this Condition 6(B)(iii). Delivery of cash payable to Bondholders upon conversion of the Bonds, Shares and, if any, Additional Shares shall be made by the Issuer to the converting Bondholders directly. For the avoidance of doubt, the Conversion Agent shall not be responsible for the delivery of Shares or cash to converting Bondholders.

The person or persons specified for that purpose in the Conversion Notice will become the holder of record of the number of Shares issuable upon conversion with effect from the date he is or they are registered as such in the Issuer's register of members (the "**Registration Date**").

The Shares issued upon conversion of the Bonds will be fully paid and will in all respects rank *pari passu* with the fully paid Shares in issue on the relevant Registration Date except for any right excluded by mandatory provisions of applicable law. Save as set out in these Conditions, a holder of Shares issued on conversion of the Bonds shall not be entitled to any rights the record date for which precedes the relevant Registration Date.

(iv) *Interest Accrual*: If any notice requiring the redemption of any Bonds is given pursuant to Condition 8(B) during the period beginning on the fifteenth day prior to the record date in respect of any dividend or distribution payable in respect of the Shares and ending on the Interest Payment Date immediately following such record date, where such notice specifies a date for redemption falling on or prior to the date which is 14 days after such immediately following Interest Payment Date, interest shall (subject as hereinafter provided) accrue on Bonds as follows: (1) where Certificates have been delivered for conversion and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date immediately following such record date; interest shall accrue on the Bonds from the preceding Interest Payment Date (or, if the relevant Conversion Date falls on or before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, the relevant Conversion Date; provided that no such interest shall accrue on any Bond in the event that the Shares issued on conversion thereof shall carry an entitlement to receive such dividend. Any such interest shall be paid not later than 14 days after the relevant Conversion Date by a United States dollar denominated cheque drawn on, or by transfer to a US dollar account maintained by the payee with, a bank in New York, in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(v) *Cash Settlement*: Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the delivery of Shares deliverable upon conversion of the Bond is required to satisfy the Conversion Right in respect of a Conversion Notice, the Issuer shall have the option, in its sole discretion, to pay to the relevant Bondholder an amount of cash equivalent to the Cash Settlement Amount (as defined below) converted at the Prevailing Rate in order to satisfy such Conversion Right in whole or in part (and if in part, the other part shall be satisfied by the delivery of Shares) (the "**Cash Settlement Option**"). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of the exercise of the Cash Settlement Option (the "**Cash Settlement Notice**") to the relevant Bondholder, the Trustee and the Agents as soon as practicable but no later than the fifth Stock Exchange Business Day following the date of the Conversion Notice (the date of such Cash Settlement Notice being the "**Cash Settlement Notice Date**"). The Cash Settlement Notice must specify the number of Shares in respect of which the Issuer will make a cash payment in the manner described in this Condition 6(B)(v). The Issuer shall pay the Cash Settlement Amount no later than two Stock Exchange Business Days after the 20 Stock Exchange Business Day period used to determine the Cash Settlement Amount. The Cash Settlement Amount shall be paid by the Issuer by means of a U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank that processes payments in U.S. dollars in accordance with the instructions given by the relevant Bondholder in the relevant Conversion Notice. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Issuer shall make the same proportion of cash and Shares available to such converting Bondholders but the Issuer will not have any obligation to make the same proportion of cash and Shares available with respect to any conversions by holders occurring on different Conversion Dates.

For the purposes of these Conditions:

"**Cash Settlement Amount**" means an amount in U.S. dollars (which shall be determined by the Issuer using the Prevailing Rate on the Cash Settlement Notice Date) equal to the product of (i) the number of Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bonds to which the Conversion Notice applies, and in respect of which the Issuer has elected the Cash Settlement Option and (ii) the arithmetic average of the Volume Weighted Average Price (as defined below) of the Shares for each day during the 20 Stock Exchange Business Days immediately after the Cash Settlement Notice Date. The Issuer shall provide notice of the calculation of the Cash Settlement Amount to the Bondholders, the Trustee and the Agents no later than the first Stock Exchange Business Day after the 20 Stock Exchange Business Day period used to determine the Cash Settlement Amount following the Cash Settlement Notice Date. The Trustee and the Conversion Agent shall have no duty to determine, calculate or verify the Cash Settlement Amount or the number of Shares to be delivered to a converting Bondholder.

If the Issuer is at any time otherwise (for any reason whatsoever) unable to issue sufficient Shares in satisfaction of the Conversion Right of any converting Bondholder, the Issuer undertakes to exercise the Cash Settlement Option in full, or to the extent required, to satisfy the Conversion Right of such Bondholder.

(C) Adjustments to Conversion Price

The Conversion Price will be subject to adjustment as follows:

(i) *Consolidation, Subdivision or Reclassification*: If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration. Such adjustment shall become effective on the date the alteration takes effect.

(ii) *Capitalisation of Profits or Reserves*:

(a) If and whenever the Issuer shall issue any Shares credited as fully paid to the holders of Shares ("**Shareholders**") by way of capitalisation of profits or reserves (including any share premium account) including, Shares paid up out of distributable profits or reserves and/or share premium account (except any Scrip Dividend) and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

(b) In the case of an issue of Shares by way of a Scrip Dividend where the aggregate value of such Shares issued by way of Scrip Dividend as determined by reference to the Current Market Price per Share on the date of announcement of the terms of such Scrip Dividend exceeds the amount of the Relevant Cash Dividend or the relevant part thereof and which would not have constituted a Capital Distribution, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the issue of such Shares by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such Scrip Dividend;

B is the aggregate number of Shares which the Relevant Cash Dividend would purchase at such Current Market Price; and

Cis the aggregate number of Shares to be issued pursuant to such Scrip Dividend;

or by making such other adjustment as an Independent Financial Advisor shall certify to the Trustee is fair and reasonable.

Such adjustment shall become effective on the date of issue of such Shares or if the number of such Shares is fixed on announcement and a record date is fixed therefor, immediately after such record date.

(iii) *Capital Distributions*: If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Capital Distribution by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which the Capital Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made or if a record date is fixed therefor, immediately after such record date.

(iv) *Rights Issues of Shares or Options over Shares*: If and whenever the Issuer shall issue Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares, in each case at less than 95 per cent. of the Current Market Price per Share on the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such announcement;

Bis the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at such Current Market Price per Share; and

C is the aggregate number of Shares issued or, as the case may be, comprised in the grant.

Such adjustment shall become effective on the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be.

(v) *Rights Issues of Other Securities*: If and whenever the Issuer shall issue any securities (other than Shares or options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares) to all or substantially all Shareholders as a class by way of rights or issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where:

Ais the Current Market Price of one Share on the date on which such issue or grant is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities or the issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the first date on which the Shares are traded ex-rights, ex-options or ex-warrants as the case may be on the Relevant Stock Exchange.

(vi) *Issues at less than Current Market Price*: If and whenever the Issuer shall issue (otherwise than as mentioned in Condition 6(C)(iv) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for Shares) or issue or grant (otherwise than as mentioned in Condition 6(C)(iv) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 95 per cent. of the Current Market Price on the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where:

A is the aggregate number of Shares in issue immediately before the issue of such additional Shares or the grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares would purchase at such Current Market Price; and

C is the aggregate number of Shares in issue immediately after the issue of such additional Shares.

References to additional Shares in the above formula shall, in the case of an issue by the Issuer of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the date of issue of such options, warrants or other rights.

Such adjustment shall become effective on the date of issue of such additional Shares or, as the case may be, the grant of such options, warrants or other rights.

(vii) *Other Issues at less than Current Market Price*: Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(vii), if and whenever the Issuer or any of its Subsidiaries (otherwise than as mentioned in Conditions 6(C)(iv), 6(C)(v) or 6(C)(vi)), or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries), any other company, person or entity shall issue any securities (other than the Bonds excluding for this purpose any further bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such issue;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the date of issue of such securities.

(viii) *Modification of Rights of Conversion etc.*: If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(vii) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95 per cent. of the Current Market Price on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Issuer for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Advisor, consider appropriate (if at all) for any previous adjustment under this Condition 6(C)(viii) or Condition 6(C)(vii).

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such securities.

(ix) *Other Offers to Shareholders*: If and whenever the Issuer or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with the Issuer or any of its Subsidiaries) any other company, person or entity issues, sells or distributes any securities in connection with which an offer pursuant to which the Shareholders generally are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under Condition 6(C)(iv), Condition 6(C)(v), Condition 6(C)(vi) or Condition 6(C)(vii)), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share on the date on which such issue is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue, sale or delivery of the securities.

(x) *Other Events*: If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in this Condition 6, the Issuer shall, at its own expense, consult an Independent Financial Advisor to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination by the Independent Financial Advisor such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the events or circumstances giving rise to any adjustment pursuant to this Condition 6 have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of this Condition 6 as may be advised by the Independent Financial Advisor to be in its opinion appropriate to give the intended result.

(D) Adjustment upon Change of Control

If a Change of Control shall occur, the Issuer shall give notice of that fact to the Bondholders (the "**Change of Control Notice**") in accordance with Condition 16 and to the Trustee and the Agents within seven days after it becomes aware of such Change of Control. Following the giving of a Change of Control Notice, upon any exercise of Conversion Rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the Change of Control Notice is given to Bondholders (such period, the "**Change of Control Conversion Period**"), the Conversion Price shall be adjusted in accordance with the following formula:

where:

$$NCP = \frac{OCP}{1 + (CPxc/t)}$$

"**NCP**" means the new Conversion Price.

"**OCP**" means the Conversion Price in effect on the relevant Conversion Date.

"**CP**" means 38.3 per cent. expressed as a fraction.

"**c**" means the number of days from and including the date the Change of Control occurs to but excluding the Stated Maturity of the Bonds.

"**t**" means the number of days from and including the Issue Date to but excluding the Stated Maturity of the Bonds,

provided that the Conversion Price shall not be reduced pursuant to this Condition 6(D) below the level permitted by applicable laws and regulations from time to time (if any).

If the last day of a Change of Control Conversion Period shall f all during a Closed Period, the Change of Control Conversion Period shall be extended such that its last day will be the fifteenth day following the last day of the Closed Period.

For the purposes of these Conditions:

"**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-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (i) or (ii). For purposes of this definition, "control"(including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"**Alternative Stock Exchange**" means at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in.

"**Capital Distribution**" means (i) any distribution of assets in specie by the Issuer for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but excludes any Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(ii)(a) and a Scrip Dividend adjusted for under Condition 6(C)(ii)(b)); and (ii) any cash dividend or distribution (including, without limitation, the relevant cash amount of a Scrip Dividend) of any kind by the Issuer for any financial period (whenever paid and however described), *provided that* a purchase or redemption of Shares by or on behalf of the Issuer (or a purchase of Shares by or on behalf of a Subsidiary of the Issuer) shall not constitute a Capital Distribution, unless the weighted average price (before expenses) on any one day in respect of such purchases exceeds the Current Market Price of the Shares by more than five per cent. either (a) on that date, or (b) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (a) or (b) of this definition, the relevant day is not a Trading Day, the immediately preceding Trading Day, in which case such purchase or redemption shall be deemed to constitute a Capital Distribution in an amount equal to the amount by which the aggregate consideration paid (before expenses) in respect of such Shares purchased or redeemed exceeds the product of 105 per cent. of such Current Market Price and the number of Shares so purchased or redeemed.

In making any such calculation, such adjustments (if any) shall be made as an Independent Financial Advisor may consider appropriate to reflect (a) any consolidation or subdivision of the Shares, (b) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (c) the modification of any rights to dividends of Shares.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"**Change of Control**" means the occurrence of one or more of the following events:

(i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(ii) the Issuer consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Issuer, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Issuer or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Issuer outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(iii) the Permitted Holders are the beneficial owners (as such term is used in Rule 13d-3 of the Exchange Act) of less than 50.1% of the total voting power of the Voting Stock of the Issuer;

(iv) individuals who on the Issue Date constituted the Board of Directors (together with any new directors whose election or nomination was approved by a vote of at least two-thirds of the members of the Board of Directors then in office who were members of the Board of Directors on the Issue Date or whose election was previously so approved) cease for any reason to constitute a majority of the members of the Board of Directors then in office; or

(v) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

"**Closing Price**" for the Shares for any Trading Day shall be the price published in the Daily Quotation Sheet published by the Hong Kong Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange for such day.

"**Common Stock**" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

"**Current Market Price**" means, in respect of a Share at a particular date, the arithmetic average of the Closing Prices for one Share (being a Share carrying a full entitlement to dividends) for the 10 consecutive Trading Days ending on the Trading Day immediately preceding such date; provided that if at any time during the said 10 Trading Day period the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

(i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of the amount of that dividend per Share; or

(ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by the amount equal to the Fair Market Value of that dividend per Share;

and provided further that if the Shares on each of the said 10 Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

"**Disqualified Stock**" means any class or series of Capital Stock of any Person that by its terms or otherwise is (i) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Bonds, (ii) 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 Bonds or (iii) convertible into or exchangeable for Capital Stock referred to in clause (i) or (ii) above or indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Bonds; 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 Bonds 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 Condition 8(E) and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of such Bonds as are required to be repurchased pursuant to Condition 8(E).

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**Fair Market Value**" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent Financial Advisor provided that (i) the fair market value of a cash dividend paid or to be paid per Share shall be the amount of such cash dividend per Share determined as at the date of announcement of such dividend; (ii) where options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by such Independent Financial Advisor) the fair market value of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights during the period of five trading days on the relevant market commencing on the first such trading day such options, warrants or other rights are publicly traded.

"**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.

"**Independent Financial Advisor**" means an independent financial advisor of international repute (acting as an expert) selected by the Issuer.

"**Permitted Holders**" means any or all of the following:

(i) Mr. Zhang Bo;

(ii) the estate or the immediate family members of the Person specified in clause (i) of this definition and any trust established for the benefit of Mr. Zhang Bo and such immediate family members;

(iii) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of "Affiliate") of the Person specified in clause (i) or (ii) of this definition; and

(iv) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are more than 80% owned by Persons specified in clauses (i), (ii) and (iii) of this definition.

"**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 up on any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"**Prevailing Rate**" means, in respect of any currency on any day, the spot exchange rate between the relevant currencies prevailing as at or about 12:00 noon (Hong Kong time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 noon (Hong Kong time) on the immediately preceding day on which such rate can be so determined;

"**Relevant Cash Dividend**" means the aggregate cash dividend or distribution declared by the Issuer, including any cash dividend in respect of which there is any Scrip Dividend.

"**Relevant Stock Exchange**" means at any time, in respect of the Shares, the Hong Kong Stock Exchange or the Alternative Stock Exchange.

"**Scrip Dividend**" means any Shares issued in lieu of the whole or any part of any Relevant Cash Dividend being a dividend which the Shareholders concerned would or could otherwise have received (and for the avoidance of doubt no adjustment is to be made under Condition 6(C)(iii) in respect of the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or the relevant part thereof but without prejudice to any adjustment required in such circumstances to be made under Condition 6(C)(ii).

"**Trading Day**" means a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for dealing business, provided that for the purposes of any calculation where a Closing Price is required if no Closing Price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days.

"**Volume Weighted Average Price**" means, in relation to a Share for any Stock Exchange Business Day, the order book volume-weighted average price of a Share for such Stock Exchange Business Day appearing on or derived from Bloomberg screen page "1378 HK Equity VAP" (or its successor page) or, if not available on any of such screens, from such other source as shall be determined in good faith and in a commercially reasonable manner, using a volume-weighted average method, to be appropriate by an Independent Financial Advisor, provided that for any Stock Exchange Business Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Stock Exchange Business Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Stock Exchange Business Day on which the same can be so determined.

"**Voting Stock**" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 16 and to the Trustee and the Conversion Agent immediately after the determination thereof.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their par value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in the Cayman Islands.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of an Independent Financial Advisor, the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Financial Advisor to be in its opinion appropriate in order to give such intended result.

No adjustment will be made to the Conversion Price where Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Issuer or any Subsidiary of the Issuer pursuant to any Share Option Scheme (as defined in the Trust Deed) (and which Share Option Scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange).

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(C)(i) above.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may constitute a Change of Control or may require an adjustment to be made to the Conversion Price or any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by them to do so.

(E) Undertakings

The Issuer has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding, save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders:

(i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, and if the Issuer is unable to obtain or maintain such listing or if the maintenance of such listing is unduly onerous, to use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 16 and to the Trustee and the Agents of the listing or delisting of the Shares (as a class) by any of such stock exchange;

(ii) it will use its best endeavours to obtain and maintain a listing for the Bonds on the Singapore Exchange Securities Trading Limited for as long as any Bond is outstanding, and if the Issuer is unable to obtain or maintain such listing or if the maintenance of such listing is unduly onerous, to use its best endeavours to obtain and maintain a listing for the Bonds on an Alternative Stock Exchange as the Issuer may from time to time determine and will forthwith give notice to the Bondholders in accordance with Condition 16 and to the Trustee and the Agents of the listing or delisting of the Bonds (as a class) by any of such stock exchange;

(iii) it will pay the expenses of the issue of, and all expenses of obtaining listing for, Shares arising on conversion of the Bonds (save for any Taxes specified in Condition 6(B)(ii)); and

(iv) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the reduction is permitted by applicable law and provided that all or any part of the corporate action(s) comprising the reduction results (or would, but for the application of any provisos, carve-outs or conditions set forth or imposed in any of Condition 6 result) in an adjustment to the Conversion Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made).

In the Trust Deed, the Issuer has also undertaken with the Trustee that so long as any Bond remains outstanding:

(i) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid, unless the Issuer has elected to exercise the Cash Settlement Option in respect of any conversion of the Bonds; and

(ii) it will not make any offer, issue or distribute or take any action the effect of which would be to reduce the Conversion Price below the par value of the Shares of the Issuer,

provided always that the Issuer shall not be prohibited from purchasing its Shares to the extent permitted by law.

The Issuer has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(F) Notice of Change in Conversion Price

The Issuer shall give notice to the Bondholders in accordance with Condition 16 and to the Trustee and the Agents of any change in the Conversion Price. Any such notice relating to a change in the Conversion Price shall set forth the event giving rise to the adjustment, the Conversion Price prior to such adjustment, the adjusted Conversion Price and the effective date of such adjustment.

7 Payments

(A) Method of Payment

Payment of principal, premium (if any) and interest due other than on an Interest Payment Date will be made by transfer to the registered account of the Bondholder. Payment of principal and premium (if any) will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the seventh day before the due date for the payment of interest (the "**Interest Record Date**"). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder.

Whilst the Bonds are evidenced by the Global Certificate, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive except 25 December and 1 January).

(B) Registered Accounts

For the purposes of this Condition 7, a Bondholder's registered account means the US dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder's registered address means its address appearing on the Register at that time.

(C) ***Fiscal Laws***

All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to Condition 9. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(D) ***Payment Initiation***

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is not a business day, the immediately following business day) or, in the case of a payment of principal and premium (if any), if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) ***Delay In Payment***

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Bondholder is late in surrendering its Certificate (if required to do so).

(F) ***Business Day***

In this Condition, "**business day**" means a day other than a Saturday or Sunday or public holiday on which commercial banks are open for business in New York City, Hong Kong, London and the city in which the specified office of the Principal Agent is located and, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8 Redemption, Purchase and Cancellation

(A) ***Maturity***

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Issuer will redeem each Bond at 100 per cent. of the principal amount together with unpaid accrued interest thereon on 26 March 2030. The Issuer may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) below (but without prejudice to Condition 10).

(B) ***Redemption for Taxation Reasons***

(i) The Issuer may redeem all but not some only of the Bonds, at its option, at any time, on giving not less than 30 days' nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and to the Trustee and the Agents, at a redemption price equal to 100 per cent. of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts (as defined in Condition 9)), if any, to but excluding the date fixed by the Issuer for redemption (the "**Tax Redemption Date**") if, as a result of:

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

(b) any change in the existing official position, or the stating of an official position, regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective or, in the case of a change in or stating of official position, is announced (i) with respect to the Issuer or any initial Subsidiary Guarantor, on or after the Issue Date or (ii) with respect to any Future Subsidiary Guarantor whose jurisdiction of organization or tax residence is not already a taxing jurisdiction, on or after the date such Future Subsidiary Guarantor becomes a Subsidiary Guarantor with respect to any payment due or to become due under the Bonds, the Subsidiary Guarantees or the Trust Deed, the Issuer or such Subsidiary Guarantor is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer or such Subsidiary Guarantor; *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or such Subsidiary Guarantor, would be obligated to pay such Additional Amounts if a payment in respect of the Bonds were then due.

(ii) Notwithstanding anything to the contrary herein, the Issuer may not redeem the Bonds if Additional Amounts are payable in respect of PRC withholding tax at a rate of 10% or less solely as a result of the Issuer being considered a PRC tax resident under the Enterprise Income Tax Law of the PRC and payments of dividends from the Issuer's PRC subsidiaries to the Issuer are then exempt from PRC withholding tax.

(iii) Prior to the mailing of any notice of redemption of the Bonds pursuant to the foregoing, the Issuer or a Subsidiary Guarantor will deliver to the Trustee and the Agents at least 30 days but not more than 60 days before the Tax Redemption Date:

(a) an Officers' Certificate stating that such change, amendment, or other event referred to above has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer or such Subsidiary Guarantor, taking reasonable measures available to it; and

(b) an opinion of independent legal advisors or an opinion of a tax consultant, in either case, of recognised standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment, or other event referred to above.

(iv) 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 Bondholders. 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. For the avoidance of doubt, neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 8(B) has occurred, and neither the Trustee nor any of the Agents shall be liable to the Bondholders, the Issuer or any other person for not doing so.

(C) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders (which notice will be irrevocable), the Trustee, and the Agents, the Issuer may at any time redeem all, but not some only, of the Bonds for the time being outstanding at the principal amount together with interest accrued but unpaid up to but excluding the date fixed for redemption:

(i) at any time after 9 April 2028, provided that the Closing Price of a Share (translated into U.S. dollars at the Prevailing Rate) for 20 out of 30 consecutive Trading Days, the last of which occurs not more than 10 days prior to the date of the Optional Redemption Notice, was at least 125 per cent. of the Conversion Price (translated into U.S. dollars at the Fixed Exchange Rate) then applicable, or

(ii) at any time, if prior to the date the Optional Redemption Notice is given, at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 15 and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled.

(D) Redemption at the Option of the Bondholders

The Issuer will, at the option of the holder of any Bond, redeem all or some only of such holder's Bonds on 26 March 2028 (the "**Put Option Date**") at a price equal to 100 per cent. of the principal amount thereof, together with accrued and unpaid interest up to but excluding the Put Option Date. To exercise such option, the holder must deposit at the specified office of any Paying Agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date. A put notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds the subject of a put notice on the Put Option Date.

(E) Redemption for Delisting or Change of Control

Following the occurrence of a Relevant Event (as defined below), the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all, or some only, of such holder's Bonds on the Relevant Event Redemption Date at a price equal to their principal amount, together with interest accrued and unpaid up to but excluding the date fixed for redemption. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Relevant Event Redemption Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds the subject of the Relevant Event Redemption Notice as aforesaid on the Relevant Event Redemption Date. The Issuer shall give notice to Bondholders in accordance with Condition 16 and to the Trustee and the Agents by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 8(E) and shall give brief details of the Relevant Event.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and none of them shall be responsible to the Bondholders or any other person for any loss arising from any failure to do so.

A "**Relevant Event**" occurs:

(i) when the Shares cease to be listed or admitted to trading or are suspended for a period equal to or exceeding 30 consecutive Trading Days on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or

(ii) when there is a Change of Control.

(F) Bondholders' Tax Option

If the Issuer gives a notice of redemption pursuant to Condition 8(B), each Bondholder will have the right to elect that his Bond(s) shall not be redeemed and that Condition 9 shall not apply in respect of any payment of principal or interest to be made in respect of such Bond(s) which falls due after the relevant Tax Redemption Date, whereupon no Additional Tax Amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts (whether of interest payment upon required repurchase, maturity or otherwise) after the Tax Redemption Date (or, if the Issuer fails to pay the redemption price on the Tax Redemption Date, such later date on which the Issuer pays the redemption price) shall be made subject to the deduction of withholding of the relevant Cayman Islands and Hong Kong taxation required to be withheld or deducted. To exercise a right pursuant to this Condition 8(F), the relevant Bondholder must, during normal business hours (being between 9:00 a.m. and 3:00 p.m. (in the location of the specified office of the relevant Paying Agent)), deposit a duly completed and signed notice of exercise in the form for the time being currently obtainable from the specified office of any Paying Agent (a "**Bondholder's Exercise Notice**") together with the Certificate evidencing the Bonds to be redeemed, on or before the day falling 15 days prior to the Tax Redemption Date at the specified office of any Paying Agent. A Bondholder's Exercise Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent.

(G) Purchase

The Issuer or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.

(H) Cancellation

All Bonds which are redeemed, converted or purchased by the Issuer or any of its Subsidiaries will forthwith be cancelled. Certificates in respect of all Bonds cancelled will be forwarded to or to the order of the Registrar and such Bonds may not be reissued or resold.

(I) Redemption Notices

All notices to Bondholders given by or on behalf of the Issuer pursuant to this Condition 8 will specify (i) the Conversion Price as at the date of the relevant notice, (ii) the Conversion Period, (iii) the Closing Price of the Shares as at the latest practicable date prior to the publication of the notice, (iv) the interest accrued to the date fixed for redemption and the premium (if any), (v) the date for redemption, (vi) the manner in which redemption will be effected and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition 8), the first in time shall prevail. Neither the Trustee nor the Agents shall be responsible for calculating or verifying any calculations of any amounts payable hereunder, nor shall any of them be liable for not doing so.

9 Taxation

(i) All payments of principal of, and premium (if any) and interest on, the Bonds or under the Subsidiary Guarantees will be made without set-off or counterclaim and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, or an applicable Subsidiary Guarantor is organised or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "**Relevant Taxing Jurisdiction**"), or any jurisdiction through which payments are made by or on behalf of the Issuer or a Subsidiary Guarantor or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the "**Relevant Jurisdictions**"), unless such set-off, counterclaim, withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such set-off, counterclaim, withholding or deduction is so required, the Issuer or the applicable Subsidiary Guarantor will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Bondholder of each Bond of such amounts as would have been received by such Bondholder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(a) for or on account of:

(I) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Bondholder or beneficial owner of such Bond and the Relevant Jurisdiction other than merely holding such Bond or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Bondholder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(B) the presentation of such Bond (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Bond became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Bondholder thereof would have been entitled to such Additional Amounts if it had presented such Bond for payment on any date within such 30 day period;

(C) the failure of the Bondholder or beneficial owner to comply with a timely request of the Issuer or any Subsidiary Guarantor addressed to the Bondholder to provide information concerning such Bondholder's or beneficial owner's nationality, 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 set-off, counterclaim, withholding or deduction as to which Additional Amounts would have otherwise been payable to such Bondholder; or

(D) the presentation of such Bond (in cases in which presentation is required) for payment in a Relevant Jurisdiction, unless such Bond 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 charge to the extent such tax, duty, assessment or other governmental charge results from the presentation of the Bond (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Bond 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 agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted or published in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(V) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (I), (II), (III) and (IV); or

(b) to a Bondholder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment, to the extent that such payment would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Bondholder thereof.

(ii) The Issuer will (a) make any such set-off, counterclaim, withholding or deduction and (b) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Issuer will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes and will furnish to the Trustee and the Principal Agent, within 90 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either such certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

(iii) At least 30 days prior to each date on which any payment under or with respect to the Bonds is due and payable (unless the obligation to pay Additional Amounts arises after the 30th day prior to the payment date), if the Issuer becomes aware that it will be obligated to pay Additional Amounts with respect to such payment, the Issuer will deliver to the Trustee and the Principal Agent an Officers' Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable.

(iv) In addition, the Issuer will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Bonds, or any documentation with respect thereto.

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

10 Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject in either case to being indemnified and/or secured and/or pre-funded by the holders of the Bonds to its satisfaction), give notice to the Issuer that the Bonds are, and they shall accordingly thereby become, immediately due and repayable at the principal amount together with accrued and unpaid interest (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

(i) *Non-Payment*: default in the payment of (a) principal of (or premium, if any, on) the Bonds when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise; or (b) interest or Additional Amounts on any Bond when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(ii) *Breach of Other Obligations*: the Issuer or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Trust Deed or under the Bonds (other than a default specified in (i) of this Condition 10) and such default or breach continues for a period of 30 consecutive days after written notice of such default or breach to the Issuer by the Trustee or the holders of 25 per cent. or more in aggregate principal amount of the Bonds;

(iii) *Failure to deliver Shares*: any failure by the Issuer to deliver any Shares or pay the Cash Settlement Amount in U.S. dollars as and when the Shares are required to be delivered following conversion of Bonds or such Cash Settlement Amount in U.S. dollars as is required to be paid, as the case may be, following conversion of Bonds;

(iv) *Cross-Default*: there occurs with respect to any Indebtedness of the Issuer or any Restricted Subsidiary having an outstanding principal amount of US$50 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (1) an event of default that has caused any holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (2) the failure to make a principal payment when due;

(v) *Enforcement Proceedings*: one or more final judgments or orders for the payment of money are rendered against the Issuer or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$30.0 million (or the Dollar Equivalent thereof) (in excess of amounts that the Issuer'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;

(vi) *Insolvency*: the Issuer 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 Issuer or any Restricted Subsidiary, or for all or substantially all of the property and assets of the Issuer or any Restricted Subsidiary, or (3) effects any general assignment for the benefit of creditors;

(vii) *Winding-up*: an involuntary case or other proceeding is commenced against the Issuer 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 Issuer or any Restricted Subsidiary or for any substantial part of the property and assets of the Issuer 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 Issuer or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect; or

(viii) *Guarantee Denied or Disaffirmed*: any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Trust Deed, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

In these Conditions:

"**Dollar Equivalent**" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination there of, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**Unrestricted Subsidiary**" means (i) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the board of directors of the Issuer in the manner provided in the indenture in respect of the Senior Notes and (ii) any Subsidiary of an Unrestricted Subsidiary.

11 Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years (in the case of principal or premium) and five years (in the case of interest) from the relevant date (as defined in Condition 9) in respect thereof.

12 Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its sole discretion and without further notice, take such steps, actions and/or institute such proceedings against the Issuer as it may think fit to enforce repayment of the Bonds and to enforce the Trust Deed, but it will not be bound to take any such steps, actions and/or institute proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

13 Meetings of Bondholders, Modification, Waiver and Substitution

(A) Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the Trust Deed or a waiver. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal, premium or interest payable in respect of the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify (except by a unilateral and unconditional reduction in the Conversion Price) or cancel the Conversion Rights, or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 66 per cent., or at any adjourned such meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting. The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

(B) Modification and Waiver

The Issuer shall be entitled to direct the Trustee to effect any modification (except as mentioned in Condition 13(A) above) to, or any waiver of these Conditions or the Trust Deed, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders. The Issuer shall provide written notice to the Trustee setting out the proposed modification or waiver and an explanation of the rationale in reasonable detail and accompanied by (a) a certificate signed by two directors of the Issuer and (b) an opinion of an Independent Financial Advisor or independent legal advisors of recognised standing certifying that such modification or wavier could not reasonably be expected to be prejudicial to the interests of the Bondholders. Upon the receipt of such written notice and accompanying documents, the Trustee is authorised to, without the consent of any Bondholder, enter into a supplement trust deed to give effect to the modification or waiver without any liabilities to the Bondholders.

The Trustee may (but shall not be obliged to) agree, without the consent of any Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, (ii) any changes to these Condition or the Trust Deed or the Agency Agreement in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable clearing system, or (iii) any other modification (except as otherwise mentioned in the Trust Deed) of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Any such modification, amendment and supplement shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, amendment, supplement and waiver shall be notified by the Issuer to the Bondholders in accordance with Condition 16 as soon as practicable.

(C) Interests of Bondholders

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee, any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders except to the extent provided for in Condition 9 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

(D) Certificates/Reports

Any certificate or report of any expert or other person called for by or provided to the Trustee (whether or not addressed to the Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee as sufficient evidence of the facts therein (and shall, in absence of manifest error, be conclusive and binding on all parties) notwithstanding that such certificate or report and/or engagement letter or other document entered into by the Trustee and/or the Issuer in connection therewith contains a monetary or other limit on the liability of the relevant expert or person in respect thereof.

14 Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Transfer Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and such Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15 Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further Bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them, the post-issue filing with the NDRC and CSRC and to the extent necessary, certain temporary securities law transfer restrictions) and so that such further issue shall be consolidated and form a single series with the Bonds. Such further Bonds may be constituted by a deed supplemental to the Trust Deed.

16 Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of the date(s) of such publication(s) and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled account holders in substitution for notification as required by these Conditions. Any notice given by delivery to Euroclear and Clearstream shall be deemed to have been given on the date of such publication.

17 Agents

The names of the initial Agents and the Registrar and their specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Issuer will at all times maintain a Principal Agent. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the

Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Issuer to the Bondholders and in any event not less than 45 days' notice will be given.

18 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions (x) relieving it from taking any steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement and/or these Conditions and in respect of the Bonds and payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction or (y) entitling it to be paid or reimbursed for any fees, costs, expenses, indemnity payments, other amounts and for liabilities incurred by it in priority to the claims of the Bondholders. The Trustee and the Agents are entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee and the Agents may rely without liability to Bondholders, the Issuer or any other person on a report, confirmation, certificate, information or any advice or opinion of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely on any such report, confirmation, certificate, information or advice or opinion and such report, confirmation, certificate, information or advice or opinion shall be binding on the Issuer and the Bondholders. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction where the Trustee is seeking such direction from the Bondholders or in the event that the instructions sought are not provided by the Bondholders.

The Trustee and the Agents shall not be liable to any Bondholder, the Issuer or any other person for any action taken by it in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction or instruction of Bondholders (whether given by Extraordinary Resolution or otherwise as contemplated or permitted by the Trust Deed and/or the Bonds).

Neither the Trustee nor any of the Agents shall be responsible for the performance by the Issuer and any other person appointed by it in relation to the Bonds, of the duties and obligations on their part expressed in respect of the same and, unless a responsible officer of the Trustee has express notice in writing to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

Neither the Trustee nor any of the Agents shall have any obligation or be required to monitor or take any steps to ascertain whether an Event of Default, a Potential Event of Default or a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. Neither the Trustee nor the Agents shall be responsible or liable to the Bondholders, the Issuer or any other person for any loss or liability arising from any failure to do so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and its Subsidiaries, and the Trustee and the Agents shall not at any time have any responsibility for the same and no Bondholder shall rely on the Trustee and/or the Agents in respect thereof.

19 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent expressly provided for.

20 Governing Law and Submission to Jurisdiction

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds, the Issuer has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of the courts of England and in relation thereto has appointed Law Debenture Corporate Services Limited at its office at 8th Floor, 100 Bishopsgate, London EC2N 4AG as its agent for service of process in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer or the Subsidiary Guarantor, respectively). If for any reason the Issuer or the Subsidiary Guarantor ceases to have such an agent in England, it will promptly appoint a substitute process agent and shall deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint (at the expense of the Issuer or, as the case may be, the Subsidiary Guarantor) such an agent by written notice to the Issuer or the Subsidiary Guarantor (as the case may be). Nothing herein shall affect the right to serve process in any other manner permitted by law.

DESCRIPTION OF THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Conditions set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

The registered holder (and any proxy or representative appointed by it) of the Global Certificate will (unless this Global Certificate represents only one Bond) be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each U.S.$200,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow a person with an interest in Bonds in respect of which this Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity and interest.

Cancellation

On cancellation of any Bond represented by the Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption), the Issuer acknowledges that details of such cancellation shall be entered in the records of the relevant clearing systems in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and, upon any such entry being made, the principal amount of the Bonds recorded in the records of the relevant clearing systems and represented by the Global Certificate shall be reduced by the aggregate principal amount of the Bonds so cancelled.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Conversion

Subject to the requirements of Euroclear and Clearstream (or any Alternative Clearing System), the Conversion Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices (as defined in the Conditions) duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate. The provisions of Condition 6 will otherwise apply. See "*Terms and Conditions of the Bonds – Conversion*".

Payment

The Issuer, for value received, will pay to the registered holder of the Bonds represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on 26 March 2030 (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in accordance with the Conditions) the amount payable upon redemption under the Conditions in respect of the Bonds represented by the Global Certificate and to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

Payments of principal and interest in respect of Bonds represented by the Global Certificate will be made without presentation or if no further payment falls to be made in respect of the Bonds, against presentation and surrender of the Global Certificate to or to the order of the Principal Agent or such other Paying Agent as shall have been notified to the Bondholders for such purpose.

Such payment will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Days" means Monday to Friday inclusive except 25 December and 1 January.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to holders of the Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.

Bondholder's Redemption

The Bondholder's redemption options in Condition 8(D) (*Redemption at the option of the Bondholders*) and Condition 8(E) (*Redemption for Delisting or Change of Control*) of the Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Agent of the principal amount of Bonds in respect of which the relevant option is exercised and presenting the Global Certificate for endorsement or exercise (if required) within the time limits specified in Condition 8 of the Conditions. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation*". Notice of exercise received within the time limits specified in the Conditions by the Principal Agent from or on behalf of a holder of a book-entry interest in the relevant Bonds ill be accepted by the Issuer as having been given by the holder as to the principal amount of Bonds in respect of which it is given (but without double counting), and whether or not the Global Certificate is presented for endorsement therewith. Following the exercise of any such option, the Issuer shall procure that the principal amount of the Bonds recorded in the records of Euroclear or Clearstream (any Alternative Clearing System) and represented by the Global Certificate shall be reduced accordingly.

Redemption at the Option of the Issuer

The options of the Issuer provided for in Condition 8(B) (*Redemption for Taxation Reasons*) and Condition 8(C) (*Redemption at the Option of the Issuer*) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders and the Trustee within the time limits set out in and containing the information required by the Conditions and Condition 8(I) (*Redemption Notices*) of the Conditions.

Bondholder's Tax Option

The option of Bondholders not to have the Bonds redeemed as provided in Condition 8(B) (*Redemption for Taxation Reasons*) of the Conditions shall be exercised by the delivery to the specified office of any Paying Agent of a duly completed notice within the time limits set out in and containing the information required by Condition 8(F) (*Bondholders' Tax Option*) of the Conditions. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Bondholders' Tax Option*".

Registration of Title

Certificates in definitive form for individual holdings of Bonds will not be issued in exchange for interests in Bonds in respect of which the Global Certificate is issued, except if either Euroclear or Clearstream (or any Alternative Clearing System) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Transfers

Transfers of beneficial interests in the Bonds will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions as of the date of this Offering Circular, 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 Bonds 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 Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds, 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 Bonds. 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 circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal on the Bonds will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. The Cayman Islands is a party to a double taxation treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double taxation treaties.

No stamp duty is payable in respect of the Bonds **provided that** they are issued, executed and remain outside the jurisdiction of the Cayman Islands.

Pursuant to the Tax Concessions Act of the Cayman Islands, we have obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to us or our operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 8 June 2010.

British Virgin Islands Taxation

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by Hongqiao Investment pursuant to the Subsidiary Guarantees.

Hong Kong Taxation

The following summary of certain Hong Kong tax consequences of purchase, ownership and disposition of the Bonds is based upon laws, regulations, decisions and practice now in effect, all of which are subject to change (possibly with retroactive effect). The summary 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 Bonds and does not purport to deal with the consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchases of the Bonds should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Bonds arising under the laws of any other taxing jurisdiction.

Withholding Tax

No withholding tax is payable in Hong Kong on payments of principal (including any premium payable on redemption of the Bonds) or of interest in respect of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable 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 (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

- interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

- interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds received by an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, rules and regulations in effect as of the date of this Offering Circular, 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 Bonds 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 Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

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 Bonds and gain from the disposition of Bonds 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 Bonds 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 Bonds, and the gain any investor may realize from the transfer of the Bonds, 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 Bonds. See "Risk Factors – Risks Relating to Doing Business in the PRC".

Value Added Tax

On 23 March 2016, MOF and SAT issued Circular 36, which introduced a new VAT from 1 May 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. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent unless otherwise provided for by MOF and SAT. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent.

Circular 36 further clarified that "loan services" refer to the activities of lending capital for another's use and receiving the interest income thereon. Based on such an interpretation, the issuance of Bonds may be treated as the holders of the Bonds providing loans to the Company, which thus shall be regarded as the provision of financial services. Accordingly, if the Company is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by the Company to the holders of the Bonds is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Bonds. Given that the Company pays interest income to the holders of the Bonds who are located outside of the PRC, the Company, acting as the obligatory withholder in accordance with applicable law, shall withhold the value-added tax and local levies from the payment of interest income to holders of the Bonds who are located outside of the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the value-added tax or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond (for so long as the register of holders of the Bonds is maintained outside the PRC as is expected to be the case).

DESCRIPTION OF THE SHARES

*Set out below is certain information concerning the Shares and a summary of certain provisions of the Company's Amended and Restated Articles of Association (the "**Articles**") and certain other information concerning the Company. Such summary does not purport to be complete and is qualified in its entirety by reference to the full Articles.*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 February 2010 under the Companies Act Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Cayman Companies Act**") and, therefore, operates subject to Cayman Islands law.

Alteration of Capital

The Company may by ordinary resolution of its Shareholders:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution, subject to any confirmation or consent required by the Cayman Companies Act.

Special Resolution – Majority Required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such Shareholders as, being entitled so to do, vote in person or, in the case of such Shareholders being corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

In contrast, an ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes cast by such Shareholders as, being entitled to do so, vote in person or, in the case of such Shareholders being corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Notices of Meetings

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings including an extraordinary general meeting must be called by notice of not less than fourteen (14) clear days. Notwithstanding the foregoing, if permitted by the Listing Rules, a general meeting may be called by shorter notice, subject to the Cayman Companies Act, if it is so agreed: (a) in the case of a meeting called as an annual general meeting, by all the Shareholders entitled to attend and vote thereat; and (b) in the case of any other meeting, by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify (a) the time and date of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to the Articles, the principal place of the meeting, (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting.

Voting Rights (Generally, On a Poll and Right to Demand a Poll)

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. On a poll, a Shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

In the case of joint registered holders of any Share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

If a clearing house (or its nominee(s)), being a corporation, is a Shareholder, it may authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or at any meeting of any class of Shareholders provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) including, the right to speak and to vote and, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any Shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted.

No Shareholder shall, unless the Directors otherwise determine, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll.

Annual General Meeting

The Company must hold an annual general meeting of the Company in each financial year and such annual general meeting must be held within six (6) months after the end of the Company's financial year (unless a longer period would not infringe the rules of the Designated Stock Exchange (as defined in the Articles)).

Transfer of Share

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form as the Directors may approve and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Directors may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Directors may, so far as permitted by any applicable law, in its absolute discretion, at any time and from time to time transfer any share upon the principal register of members to any branch register of members or any share on any branch register of members to the principal register of members or any other branch register of members.

The Directors may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is duly and properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers of shares or of any class of shares may, after notice has been given by announcement or by electronic communication or by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Directors may determine. The period of thirty (30) days may be extended in respect of any year if approved by the Members by ordinary resolution.

The register of members may be closed after giving notice by advertisement in any newspaper in accordance with the requirements of the Stock Exchange or by any electronic means in such manner as may be accepted by the Stock Exchange, for periods not exceeding in the whole thirty (30) days in each year as the Directors may determine and either generally or in respect of any class of shares.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

Power of the Company to Purchase Its Own Shares

The Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Power of Any Subsidiary of the Company to Own Shares

There are no provisions in the Articles relating to the ownership of Shares by a subsidiary.

Dividends and Other Methods of Distributions

The Company in general meeting may declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Directors.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any Shareholder or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the Directors or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit.

The Company may also upon the recommendation of the Directors by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Directors or the Company in general meeting has resolved that a dividend be paid or declared the Directors may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Directors and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

Inspection of Register of Members

The register of members shall contain such particulars as required by Section 40 of the Cayman Companies Act. Pursuant to the Articles, the principal register and branch register of members shall be open to inspection for at least two (2) hours every business day by Shareholders without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Directors, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Directors, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

Quorum for Meetings and Separate Class Meetings

No business shall be transacted at any general meeting unless a quorum is present at the commencement of the business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a Shareholder shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of Shareholders.

Procedure on Liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares: (i) if the Company is wound up and the assets available for distribution amongst the Shareholders shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such Shareholders in proportion to the amount paid up on the shares held by them respectively; and (ii) if the Company is wound up and the assets available for distribution amongst the Shareholders as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act divide among the Shareholders in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

SUBSCRIPTION AND SALE

The Company and the Subsidiary Guarantors have entered into a subscription agreement with the Joint Lead Managers dated 17 March 2025 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Company has agreed to sell to the Joint Lead Managers or as they may direct, and the Joint Lead Managers have agreed with the Company to severally and not jointly subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite their respective names below:

	Principal amount of the Bonds to be subscribed
	(U.S.$)
UBS AG Hong Kong Branch	90,000,000
CLSA Limited	25,000,000
CMB International Capital Limited	25,000,000
CNCB (Hong Kong) Capital Limited	25,000,000
DBS Bank Ltd.	25,000,000
Deutsche Bank AG, Hong Kong Branch	25,000,000
Dragonstone Capital Management Limited	25,000,000
BOCI Asia Limited	15,000,000
China International Capital Corporation Hong Kong Securities Limited	15,000,000
Crédit Agricole Corporate and Investment Bank	15,000,000
Haitong International Securities Company Limited	15,000,000
Total	**300,000,000**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Joint Lead Managers is a third party independent of the Company and is not a connected person (as defined in the Listing Rules) of the Company. To the best of the Directors' knowledge, information and belief, none of the initial placees (and their respective ultimate beneficial owners) is a connected person (as defined in the Listing Rules) of the Company.

The Company and the Subsidiary Guarantors have undertaken with the Joint Lead Managers that none of the Company, any of the Subsidiary Guarantors, or any person acting on their behalf will (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any debt securities with covenants, or any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Joint Lead Managers (whose consent shall not be unreasonably withheld or delayed), between the date hereof and the date which is 90 days after the Issue Date (both dates inclusive); except for (i) the Bonds and the Shares issued on conversion of the Bonds and (ii) any shares issued on conversion of the January 2021 CB.

The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Company. The Company and the Subsidiary Guarantors have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Company for which they have received, or will receive, fees and expenses.

The Joint Lead Managers and their affiliates may purchase Bonds or the Shares for their own account (without a view to distributing such Bonds or the Shares) and enter into transactions, including (i) credit derivatives, including asset swaps, repackaging and credit default swaps relating to the Bonds and/or the Company's securities or (ii) equity derivatives and stock loan transactions relating to the Shares at the same time as the offer and sale of the Bonds or in secondary market transactions. Such entities may hold or sell such Bonds or Shares or purchase further Bonds or Shares for their own account in the secondary market or deal in any of the Company's other securities, and therefore, they may offer or sell the Bonds, the Shares or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being 'offered' should be read as including any offering of the Bonds to the Joint Lead Managers and their affiliates. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant portion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. The Company and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Company's securities and instruments, including the Bonds and Shares. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Company's securities, including potentially the Bonds and Shares offered hereby. Any such short positions could adversely affect future trading prices of the Bonds and Shares offered hereby. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds, the Shares or the Company's other financial instruments, and may recommend to their clients that they acquire long and/or short positions in the Bonds, the Shares or other financial instruments.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks):

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Company, the Subsidiary Guarantors a CMI or its group companies would be considered under the SFC Code as having an Association with the Company, the Subsidiary Guarantors the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: ol-asia-syndicate-core@ubs.com; ib.equitylinked@clsa.com; projectfouta2025@cmbi.com.hk; project.fouta.2025@list.db.com; ib_project_fouta_vi@cicc.com.cn.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that it and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Company, the Subsidiary Guarantors relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Company, the Subsidiary Guarantors or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Company, the Subsidiary Guarantors or the Joint Lead Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Company, the Subsidiary Guarantors or the Joint Lead Managers.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Company and the Subsidiary Guarantors in such jurisdiction.

UNITED STATES

The Bond and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds or Shares to be issued upon conversion of the Bonds within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each of the Joint Lead Managers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

Prohibition of Sales to EEA Retail Investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bond which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. 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 (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. 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 domestic law by virtue of the 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 domestic law by virtue of the EUWA.

HONG KONG

Each of the Joint Lead Managers has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) 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 Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds 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 under the SFO.

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds 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 Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Singapore SFA Product Classification *– In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and are Exclude 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).*

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Joint Lead Managers has represented and agreed that is has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit off, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

Each of the Joint Lead Managers has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC. The Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC.

CAYMAN ISLANDS

Each of the Joint Lead Managers represents, warrants and agrees that it has not made and will not offer, sell or make any invitation, whether directly or indirectly, to the public in the Cayman Islands to subscribe for any of the Bonds.

BRITISH VIRGIN ISLANDS

Each of the Joint Lead Managers has represented and agreed that no invitation to subscribe for any of the Bonds has been or will be made, and no Bonds will be sold, directly or indirectly, to any person resident in the British Virgin Islands.

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements as of and for the years ended 31 December 2021, 2022 and 2023 included in this Offering Circular have been audited by SHINEWING (HK) CPA Limited, certified public accountants as stated in their reports for each of the fiscal years ended 31 December 2022 and 2023 included herein. The interim condensed consolidated financial information as of and for the six months ended 30 June 2024 included in this Offering Circular have been reviewed by SHINEWING (HK) CPA Limited, certified public accountants, as stated in their reports appearing herein. Our consolidated financial statements as of and for the year ended 31 December 2024 included in this Offering Circular have been audited by SHINEWING (HK) CPA Limited, certified public accountants, and reproduced from the Company's annual results for the year ended 31 December 2024 included herein.

GENERAL INFORMATION

Consents

We and our Subsidiary Guarantors 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 Bonds and the Subsidiary Guarantees. The entering into of the Trust Deed, the issue of the Bonds and the right of conversion into the Shares have been authorized by a resolution of our board of Directors dated 14 March 2025 and the guarantee of the Bonds was authorized by the board of directors of the Subsidiary Guarantors on 14 March 2025. The Shares to be issued upon conversion of the Bonds are to be issued pursuant to the general mandate granted to our board of Directors at our annual general meeting held on 14 May 2024.

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 Bonds or the Subsidiary Guarantees.

No Material Adverse Change

Except as disclosed in this Offering Circular, 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 30 June 2024 that is material in the context of the issue of the Bonds.

Documents Available

Copies of the latest annual reports and interim reports of the Group may be downloaded free of charge from the website of http://www.hkexnews.hk. Copies of the memorandum and articles of association of the Company, the Trust Deed and the Agency Agreement will be made available for inspection during normal business hours on any weekday (except public holidays) at the principal office of the Company. Copies of the Trust Deed and the Agency Agreement will be made available for inspection during normal business hours on any weekday (except public holidays) at the principal office of the Trustee (presently at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom) following prior written request and proof of holding and identity to the satisfaction of the Trustee, so long as any of the Bonds is outstanding.

Clearing Systems and Settlement

The Bonds have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Bonds is set forth below:

	ISIN	Common Code
Bonds	XS3031464400	303146440

Only Bonds evidenced by a Global Certificate have been accepted for clearance through Euroclear and Clearstream.

Listing of the Bonds

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds issued to Professional Investors only. It is expected that dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 27 March 2025.

Listing of the Shares

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds. It is expected that permission to deal in, and listing of, such Shares on the Hong Kong Stock Exchange will commence when they are issued.

Participation Rights for the Bondholders in the event of a takeover offer of the Issuer

The Terms and Conditions of the Bonds do not provide for participating rights for the Bondholders in the event of a takeover offer of the Issuer.

INDEX TO FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	3	**156,168,720**	133,623,632
Cost of sales		**(114,006,028)**	(112,669,035)
Gross profit		**42,162,692**	20,954,597
Other income and gains	5	**2,984,394**	3,713,038
Selling and distribution expenses		**(661,024)**	(755,274)
Administrative expenses		**(4,992,949)**	(4,952,875)
Other expenses	6	**(2,898,537)**	(945,299)
Finance costs		**(3,363,259)**	(3,267,938)
Changes in fair values of financial instruments		**(2,192,462)**	(49,044)
Share of profits of associates		**1,758,457**	1,193,259
Profit before taxation		**32,797,312**	15,890,464
Income tax expenses	7	**(8,251,619)**	(3,392,712)
Profit for the year		**24,545,693**	12,497,752
Attributable to:			
Owners of the Company		**22,372,331**	11,460,678
Non-controlling interests		**2,173,362**	1,037,074
		24,545,693	12,497,752

	Note	2024 RMB'000	2023 RMB'000
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(92,886)**	108,753
Share of other comprehensive (expense) income of associates		**(60,235)**	22,707
		(153,121)	131,460
Items that will not be reclassified subsequently to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(90,083)**	(141,210)
Total comprehensive income for the year, net of income tax		**24,302,489**	12,488,002
Total comprehensive income for the year attributable to			
Owners of the Company		**22,074,435**	11,422,590
Non-controlling interests		**2,228,054**	1,065,412
		24,302,489	12,488,002
Earnings per share	*9*		
– Basic (RMB)		**2.3611**	1.2095
– Diluted (RMB)		**2.3611**	1.1952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Note	**2024** **RMB'000**	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**75,393,127**	70,200,235
Right-of-use assets		**9,668,117**	9,675,440
Intangible assets		**45,352**	42,907
Investment properties		**35,298**	38,159
Deposits paid for acquisition of property, plant and equipment		**1,349,009**	1,045,165
Deferred tax assets		**2,621,516**	2,990,023
Interests in associates		**13,222,431**	11,034,432
Loan to an associate		**2,000,000**	2,000,000
Goodwill		**278,224**	278,224
Financial asset at amortised cost		**2,494,000**	2,494,000
Financial assets at fair value through other comprehensive income		**1,144,810**	1,401,378
Financial assets at fair value through profit or loss		**11,088,589**	11,725,159
		119,340,473	112,925,122
CURRENT ASSETS			
Inventories		**37,344,003**	33,958,455
Trade receivables	*10*	**9,773,923**	5,488,751
Bills receivables		**6,602,454**	4,977,642
Prepayments and other receivables		**7,811,711**	8,747,804
Income tax recoverable		**370,768**	674,610
Restricted bank deposits		**2,797,477**	1,826,579
Cash and cash equivalents		**44,770,241**	31,721,122
		109,470,577	87,394,963
Non-current assets classified as held for sale		**353,982**	–
		109,824,559	87,394,963

	Notes	2024 RMB'000	2023 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	11	**14,930,515**	11,648,276
Other payables and accruals		**13,213,465**	10,603,297
Bank borrowings – due within one year		**34,168,202**	30,489,208
Lease liabilities		**25,429**	37,952
Income tax payable		**3,674,186**	2,586,352
Short-term debentures and notes		**3,000,000**	7,000,000
Medium-term debentures and bonds – due within one year		**5,781,304**	8,116,930
Guaranteed notes – due within one year		**2,154,409**	3,511,821
Deferred income		**35,039**	35,290
		76,982,549	74,029,126
NET CURRENT ASSETS		**32,842,010**	13,365,837
TOTAL ASSETS LESS CURRENT LIABILITIES		**152,182,483**	126,290,959
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year		**14,134,227**	8,621,908
Other financial liability		**2,730,955**	2,965,195
Lease liabilities		**932,053**	916,706
Medium-term debentures and bonds – due after one year		**9,553,655**	3,206,332
Liability component of convertible bonds – due after one year		**2,093,235**	1,963,567
Derivative component of convertible bonds – due after one year		**2,109,265**	521,919
Deferred tax liabilities		**488,057**	363,704
Deferred income		**1,527,538**	1,475,183
		33,568,985	20,034,514
NET ASSETS		**118,613,498**	106,256,445
CAPITAL AND RESERVES			
Share capital	12	**618,881**	618,881
Reserves		**107,181,060**	91,625,797
Equity attributable to owners of the Company		**107,799,941**	92,244,678
Non-controlling interests		**10,813,557**	14,011,767
TOTAL EQUITY		**118,613,498**	106,256,445

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, and the principal activities of its subsidiaries (together with the Company, referred to as the "**Group**") are set out in the annual report.

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 Special Administrative Region of the PRC ("**Hong Kong**"). The functional currency of subsidiaries established in Republic of Indonesia, Republic of Singapore and the Republic of Guinea is 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 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 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

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

Impact on application of Amendments to IAS 1 – Classification of Liabilities as Current or Non-current; and Amendments to IAS 1 – Non-current Liabilities with Covenants

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current issued in 2020 clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification.

Amendments to IAS 1 – Non-current Liabilities with Covenants issued in 2022 further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The adoption of the amendments has no impact on the Group's classification of liabilities as at 1 January 2023, 31 December 2023 and 31 December 2024.

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 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual period beginning on or after a date to be determined.

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.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the consolidated financial statements of the Group.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

IFRS 19 allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Company's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Amendments to IAS 21 Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The amendments include requirements on classification of financial assets with environmental, social or governance (ESG) targets and similar features; settlement of financial liabilities through electronic payment systems; and disclosures regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent feature.

The amendments are effective for annual periods beginning on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of Amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to IFRS 10 and IAS 28 will not have a material impact on the Group's consolidated financial statements.

Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity

To allow companies to better report the financial effects of nature-dependent electricity contracts, the IASB published the Amendments to IFRS 9 and IFRS 7 Contracts Referencing Nature-dependent Electricity, which clarifying the application of the 'own-use' requirements; permitting hedge accounting if these contracts are used as hedging instruments; and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

These amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early application is permitted. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. REVENUE

An analysis of the Group's revenue were recognised at a point in time as follows:

	2024	2023
	RMB'000	*RMB'000*
Revenue from sales of aluminum products		
– molten aluminum alloy	**95,169,828**	83,750,044
– aluminum alloy ingots	**7,263,939**	10,890,825
– aluminum fabrication	**15,571,014**	11,500,388
– alumina	**37,351,737**	26,557,457
Steam supply income	**812,202**	924,918
	156,168,720	133,623,632

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

	2024	2023
	RMB'000	*RMB'000*
Geographical region		
The PRC	**142,787,017**	126,397,054
India	**4,623,728**	2,412,216
Europe	**4,324,118**	2,255,909
Malaysia	**386,711**	421,062
Other Southeast Asia region	**2,482,369**	1,295,061
North America	**1,094,521**	596,995
Others	**470,256**	245,335
Total	**156,168,720**	133,623,632
Type of customers		
Government related	**377**	289
Non-government related	**156,168,343**	133,623,343
Total	**156,168,720**	133,623,632
Sales channels		
Direct sales	**156,168,720**	133,623,632

Transaction price allocated to the remaining performance obligation for contracts with customers

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each year, thus the Group applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

4. SEGMENT INFORMATION

For management purposes, the Group operates only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in the PRC (including Hong Kong) and Indonesia. Management monitors the operating results of its business unit as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical 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	
	2024	2023
	RMB'000	*RMB'000*
PRC	**93,631,293**	85,721,885
Indonesia	**6,360,265**	6,592,677
	99,991,558	92,314,562

Note: Non-current assets excluded financial instruments 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:

	2024	2023
	RMB'000	*RMB'000*
Customer A	**49,439,232**	45,121,545

5. OTHER INCOME AND GAINS

	2024	2023
	RMB'000	*RMB'000*
Bank interest income	**352,615**	307,644
Other interest income	**225,560**	216,382
Investment income	**154,652**	153,673
Interest income from loans to associates	**525,139**	345,792
Gain from sales of raw materials and scraps materials	**750,325**	1,071,479
Gain from sales of slag of carbon anode blocks	**694,657**	1,361,216
Reversal of write-down of inventories	**–**	8,195
Reversal of impairment of other receivables	**–**	3,603
Amortisation of deferred income	**43,856**	44,898
Rental income for investment properties under operating lease that lease payments are fixed	**600**	600
Gain on disposal of an associate	**–**	21,053
Gain on disposal of property, plant and equipment	**100,444**	69,939
Others	**136,546**	108,564
	2,984,394	3,713,038

6. OTHER EXPENSES

	2024	2023
	RMB'000	*RMB'000*
Impairment loss recognised in respect of property, plant and equipment	**2,635,479**	805,162
Impairment loss recognised in respect of right-of-use assets	**–**	13,235
Impairment loss recognised in respect of other receivables	**9**	–
Impairment loss recognised in respect of trade receivables	**1,795**	620
Write-down of inventories	**261,254**	126,282
	2,898,537	945,299

7. INCOME TAX EXPENSES

	2024	2023
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax	**7,239,156**	3,715,079
– Indonesia Corporate Income Tax	**337,845**	202,718
– Withholding tax	**181,758**	19,832
	7,758,759	3,937,629
Deferred taxation	**492,860**	(544,917)
Total income tax expenses for the year	**8,251,619**	3,392,712

8. DIVIDENDS

	2024	2023
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2024 Interim dividend – HK59 cents (2023: 2023 Interim dividend – HK12 cents) per share	**5,161,444**	1,028,382
2023 Interim special dividend – HK22 cents (2024: nil) per share	**–**	1,885,366
2023 Final dividend – HK29 cents (2023: 2022 Final dividend – HK10 cents) per share	**2,497,093**	872,364
	7,658,537	3,786,112

Subsequent to the end of the reporting period, a final dividend of HK102 cents per share in respect of the year ended 31 December 2024, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

9. 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:

	2024	2023
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**22,372,331**	11,460,678
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**–**	182,338
Changes in fair values of derivative component of convertible bonds	**–**	49,044
Exchange loss on translation of convertible bonds	**–**	21,380
Earnings for the purpose of diluted earnings per share	**22,372,331**	11,713,440

	2024	2023
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**9,475,538**	9,475,538
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	325,169
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,475,538**	9,800,707

The computation of diluted earnings per share for the year ended 31 December 2024 did not assume the conversion of the Company outstanding convertible bonds since their exercise would result in an increase in earnings per share.

10. TRADE RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**9,783,057**	5,496,090
Less: allowance for impairment losses	**(9,134)**	(7,339)
	9,773,923	5,488,751

As at 1 January 2023, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB4,617,414,000.

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, net of allowance for impairment of trade receivables presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**6,583,327**	4,883,108
3 to 12 months	**3,187,646**	601,815
12 to 24 months	**2,950**	3,828
	9,773,923	5,488,751

11. TRADE AND BILLS PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables to third parties	**11,863,104**	10,764,251
Trade payables to associates	**2,602,869**	648,596
Trade payables to related parties	**101,479**	103,167
	14,567,452	11,516,014
Bills payables (Note)	**363,063**	132,262
	14,930,515	11,648,276

Note: The amounts relate to trade payables in which the Group has issued bills to the relevant suppliers for future settlement of trade payables. The Group continues to recognise these trade payables as the relevant banks are obliged to make payments only on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills are included within operating cash flows based on the nature of the arrangements.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period;

	2024	2023
	RMB'000	*RMB'000*
Within 6 months	**13,685,014**	10,856,474
6 to 12 months	**566,827**	400,421
1 to 2 years	**295,197**	229,088
More than 2 years	**20,414**	30,031
	14,567,452	11,516,014

12. SHARE CAPITAL

	Number of shares		Share Capital	
	2024	2023	**2024**	2023
			US$	*US$*
Authorised:				
Ordinary shares of US$0.01 each	**20,000,000,000**	20,000,000,000	**200,000,000**	200,000,000

	2024	2023	**2024**	2023
			US$	*US$*
Issued and fully paid:				
Ordinary shares of US$0.01 each	**9,475,538,425**	9,475,538,425	**94,755,384**	94,755,384

	Number of shares	Share Capital
		RMB'000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	**9,475,538,425**	**618,881**

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2023: nil).

13. EVENT AFTER THE REPORTING PERIOD

As set out in the announcement of the Company dated 6 January 2025, the board of directors of Shandong Hongchuang Aluminum Industry Holding Company Limited ("**Hongchuang**"), an indirect subsidiary of the Company, resolved to approve the preliminary plan for Hongchuang to acquire 100% equity interests in Shandong Hongtuo Industrial Company Limited ("**Shandong Hongtuo**"), an indirect subsidiary of the Company, by issuance of shares held by the transaction parties. Upon completion of the transaction, the shareholding proportion of the Company in Hongchuang will increase accordingly, and both Hongchuang and Shandong Hongtuo (through Hongchuang) will continue to be subsidiaries of the Group.

As set out in the announcement of the Company dated 6 January 2025, the Group issued 7.05% guaranteed notes with the aggregate principal amount of US$330,000,000 (equivalent to approximately RMB2,398,176,000) which were guaranteed by certain subsidiaries of the Group.

Save as disclosed above, there is no material event undertaken by the Company or by the Group after the end of the reporting period and up to the date of this results announcement.

Report on Review of Interim Condensed Consolidated Financial Information

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

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

Introduction

We have reviewed the interim condensed consolidated financial information of China Hongqiao Group Limited (the "**Company**") and its subsidiaries set out on pages 26 to 72, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "**Interim Financial Reporting**" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information are not prepared, in all material respects, in accordance with IAS 34.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

Hong Kong
16 August 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	**73,592,249**	65,733,870
Cost of sales		**(55,790,488)**	(59,841,506)
Gross profit		**17,801,761**	5,892,364
Other income and gains	5	**1,837,861**	1,658,719
Selling and distribution expenses		**(366,499)**	(304,140)
Administrative expenses		**(2,453,793)**	(2,808,009)
Other expenses	6	**(596,468)**	(89,388)
Finance costs	8	**(1,561,045)**	(1,474,674)
Changes in fair value of financial instruments	22	**(1,614,777)**	14,393
Share of profits of associates		**823,949**	954,433
Profit before taxation		**13,870,989**	3,843,698
Income tax expense	7	**(3,863,113)**	(871,674)
Profit for the period	8	**10,007,876**	2,972,024
Profit for the period attributable to:			
Owners of the Company		**9,154,911**	2,456,623
Non-controlling interests		**852,965**	515,401
		10,007,876	2,972,024
Other comprehensive (expense) income for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(48,492)**	322,388
Share of other comprehensive (expense) income of associates		**(39,200)**	41,517
Other comprehensive (expense) income for the period		**(87,692)**	363,905
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(198,462)**	(37,127)
Total comprehensive income for the period, net of income tax		**9,721,722**	3,298,802
Total comprehensive income for the period attributable to:			
Owners of the Company		**8,884,894**	2,711,605
Non-controlling interests		**836,828**	587,197
		9,721,722	3,298,802
Earnings per share	10		
– Basic (RMB)		**0.966**	0.259
– Diluted (RMB)		**0.966**	0.259

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**71,628,855**	70,200,235
Right-of-use assets	12	**9,806,273**	9,675,440
Intangible assets		**40,510**	42,907
Investment properties		**36,729**	38,159
Deposits paid for acquisition of property, plant and equipment		**2,349,009**	1,045,165
Deferred tax assets		**2,606,936**	2,990,023
Interests in associates	13	**12,950,946**	11,034,432
Loan to an associate		**2,000,000**	2,000,000
Goodwill	14	**278,224**	278,224
Financial asset at amortised cost	30	**2,494,000**	2,494,000
Financial assets at fair value through other comprehensive income	15	**1,036,431**	1,401,378
Financial assets at fair value through profit or loss	16	**11,497,484**	11,725,159
		116,725,397	112,925,122
CURRENT ASSETS			
Inventories	17	**34,760,467**	33,958,455
Trade receivables	18	**7,239,475**	5,488,751
Bills receivables	19	**6,703,004**	4,977,642
Prepayments and other receivables	20	**8,168,655**	8,747,804
Income tax recoverable		**340,515**	674,610
Restricted bank deposits	21	**2,268,522**	1,826,579
Cash and cash equivalents	21	**37,501,630**	31,721,122
		96,982,268	87,394,963
CURRENT LIABILITIES			
Trade and bills payables	23	**13,420,961**	11,648,276
Other payables and accruals		**11,779,075**	10,603,297
Bank borrowings – due within one year	24	**34,432,866**	30,489,208
Lease liabilities	12	**22,549**	37,952
Income tax payable		**2,148,914**	2,586,352
Short-term debentures and notes	26	**7,000,000**	7,000,000
Medium-term debentures and bonds – due within one year	27	**5,511,900**	8,116,930
Guaranteed notes – due within one year	28	**2,125,961**	3,511,821
Deferred income		**27,221**	35,290
		76,469,447	74,029,126

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	Notes	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
NET CURRENT ASSETS		**20,512,821**	13,365,837
TOTAL ASSETS LESS CURRENT LIABILITIES		**137,238,218**	126,290,959
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	24	**9,610,407**	8,621,908
Other financial liability	25	**3,053,829**	2,965,195
Lease liabilities	12	**924,575**	916,706
Liability component of convertible bonds – due after one year	29	**2,044,529**	1,963,567
Derivatives component of convertible bonds – due after one year	29	**1,934,343**	521,919
Deferred tax liabilities		**335,064**	363,704
Medium-term debentures and bonds – due after one year	27	**7,782,073**	3,206,332
Deferred income		**1,477,923**	1,475,183
		27,162,743	20,034,514
NET ASSETS		**110,075,475**	106,256,445
CAPITAL AND RESERVES			
Share capital	31	**618,881**	618,881
Reserves	32	**99,152,963**	91,625,797
Equity attributable to owners of the Company		**99,771,844**	92,244,678
Non-controlling interests		**10,303,631**	14,011,767
TOTAL EQUITY		**110,075,475**	106,256,445

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 32)	Capital reserve RMB'000 (Note 32)	Translation reserve RMB'000 (Note 32)	Statutory surplus reserve RMB'000 (Note 32)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2024 (Audited)	**618,881**	**25,040,832**	**(860,981)**	**327,046**	**426,433**	**18,820,750**	**47,871,717**	**92,244,678**	**14,011,767**	**106,256,445**
Profit for the period	-	-	-	-	-	-	9,154,911	9,154,911	852,965	10,007,876
Other comprehensive (expense) income for the period:										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(198,462)	-	-	-	-	(198,462)	-	(198,462)
Disposal of financial assets at fair value through other comprehensive income			809,622				(809,622)	-		-
Exchange differences on translation of foreign operations	-	-	-	-	(32,355)	-	-	(32,355)	(16,137)	(48,492)
Share of other comprehensive expense of associates	-	-	-	-	(39,200)	-	-	(39,200)	-	(39,200)
Total comprehensive income (expense) for the period	-	-	611,160	-	(71,555)	-	8,345,289	8,884,894	836,828	9,721,722
Capital contribution	-	-	-	-	-	-	-	-	37,011	37,011
Change in ownership in interest in a subsidiary (note 36)	-	-	-	1,139,365	-	-	-	1,139,365	(4,223,374)	(3,084,009)
Dividend paid (note 9)	-	-	-	-	-	-	(2,497,093)	(2,497,093)	-	(2,497,093)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(358,601)	(358,601)
	-	-	-	1,139,365	-	-	(2,497,093)	(1,357,728)	(4,544,964)	(5,902,692)
At 30 June 2024 (Unaudited)	**618,881**	**25,040,832**	**(249,821)**	**1,466,411**	**354,878**	**18,820,750**	**53,719,913**	**99,771,844**	**10,303,631**	**110,075,475**

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 32)	Capital reserve RMB'000 (Note 32)	Translation reserve RMB'000 (Note 32)	Statutory surplus reserve RMB'000 (Note 32)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023 (Audited)	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777
Profit for the period	–	–	–	–	–	–	2,456,623	2,456,623	515,401	2,972,024
Other comprehensive (expense) income for the period:										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	–	–	(37,127)	–	–	–	–	(37,127)	–	(37,127)
Exchange differences on translation of foreign operations	–	–	–	–	250,592	–	–	250,592	71,796	322,388
Share of other comprehensive income of associates	–	–	–	–	41,517	–	–	41,517	–	41,517
Total comprehensive (expense) income for the period	–	–	(37,127)	–	292,109	–	2,456,623	2,711,605	587,197	3,298,802
Capital contribution	–	–	–	–	–	–	–	–	2,000	2,000
Dividend paid (note 9)	–	–	–	–	–	–	(872,364)	(872,364)	–	(872,364)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(120,757)	(120,757)
	–	–	–	–	–	–	(872,364)	(872,364)	(118,757)	(991,121)
At 30 June 2023 (Unaudited)	618,881	25,040,832	(756,898)	217,699	615,420	16,304,187	44,297,973	86,338,094	12,275,364	98,613,458

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	**17,875,708**	8,535,176
Income tax paid	**(3,612,009)**	(1,448,155)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**14,263,699**	7,087,021
INVESTING ACTIVITIES		
Purchase of other financial assets	**–**	(2,500,000)
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(5,560,394)**	(2,775,999)
Placement of restricted bank deposits	**(1,248,508)**	(2,644,724)
Purchases of financial assets at amortised cost	**–**	(2,494,000)
Capital injection to associates	**(5,092)**	(694,000)
Addition to right-of-use assets	**(214,069)**	(626,560)
Addition and prepayment for acquisition of intangible assets	**–**	(1,821)
Proceeds from disposal of other financial assets	**–**	2,122
Proceeds from disposal of property, plant and equipment	**3,730**	205,660
Interest received	**686,557**	455,886
Proceeds from disposal of financial assets at amortised cost	**–**	2,499,000
Withdrawal of restricted bank deposits	**806,565**	2,514,152
Proceeds from disposal of financial assets at fair value through other comprehensive income	**166,485**	–
Loan to an associate	**(1,096,844)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(6,461,570)**	(6,060,284)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New bank borrowings	**11,409,557**	16,549,775
Proceeds from issuance of short-term debentures and notes	**3,000,000**	3,000,000
Proceeds from issuance of medium-term debentures and bonds	**6,500,000**	1,900,000
Proceeds from issuance of guaranteed notes	**2,131,770**	–
Receipt of government grants	**20,938**	25,809
Contribution from non-controlling interests	**37,011**	2,000
Acquisition of additional interest in subsidiary	**(3,084,009)**	–
Transaction costs on issue of short-term debentures and notes	**(9,000)**	(9,000)
Transaction costs on issuance of medium-term debentures and bonds	**(39,000)**	(11,400)
Transaction costs on issuance of guaranteed notes	**(17,055)**	–
Payment of lease liabilities	**(69,646)**	(42,719)
Dividend paid to non-controlling interests	**(358,601)**	(120,762)
Repayment of medium-term debentures and bonds	**(4,517,889)**	(500,000)
Dividend paid	**(2,497,093)**	(872,364)
Interest expenses paid	**(1,493,183)**	(1,423,545)
Redemption of guaranteed notes	**(3,554,300)**	(1,436,432)
Repayment of short-term debentures and notes	**(3,000,000)**	–
Repayment of bank borrowings	**(6,522,321)**	(15,846,157)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(2,062,821)**	1,215,205
NET INCREASE IN CASH AND CASH EQUIVALENTS	**5,739,308**	2,241,942
Effect of changes in foreign exchange rates	**41,200**	150,251
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**31,721,122**	27,384,542
CASH AND CASH EQUIVALENTS AT 30 JUNE		
represented by bank balances and cash	**37,501,630**	29,776,735

1. CORPORATE INFORMATION

China Hongqiao Group Limited (the "**Company**") is 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 interim 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 principally engaged in the business of manufacture and sales of aluminum products.

The interim condensed consolidated financial information is 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 subsidiaries established in the Republic of Indonesia ("**Indonesia**"), the Republic of Singapore and the Republic of Guinea is denoted in United States Dollar ("**US$**").

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure provisions of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange. This interim condensed consolidated financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the IASB.

3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies used in the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except as disclosed below.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

Except as described below, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current; and Amendments to IAS 1 – Non-current Liabilities with Covenants

Amendments to IAS 1 Classification of Liabilities as Current or Non-current issued in 2020 clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

Amendments to IAS 1 Non-current Liabilities with Covenants issued in 2022 further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current.

The adoption of the amendments has no impact on the Group's classification of liabilities as at 1 January 2023, 31 December 2023 and 30 June 2024.

4. REVENUE

An analysis of the Group's revenue is recognised at a point of time as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from sales of aluminum products		
– molten aluminum alloy	**45,216,442**	40,359,290
– aluminum alloy ingot	**4,095,112**	5,619,977
– aluminum fabrication	**7,582,091**	5,644,526
– alumina products	**16,199,655**	13,531,809
Steam supply income	**498,949**	578,268
	73,592,249	65,733,870

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical region		
The PRC	**69,531,348**	62,456,431
India	**1,581,425**	926,023
Europe	**897,978**	1,291,302
Malaysia	**210,156**	118,937
Other Southeast Asia region	**320,538**	259,154
North America	**538,346**	517,060
Others	**512,458**	164,963
Total	**73,592,249**	65,733,870
Type of customers		
Government related	**219**	192
Non-government related	**73,592,030**	65,733,678
Total	**73,592,249**	65,733,870

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. Management monitors the operating results of its business unit for the purpose of making decisions about resource allocation and performance assessment.

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of deferred income	**26,267**	19,890
Bank interest income	**126,206**	96,695
Investment income	**71,408**	70,805
Interest income from associates	**318,282**	113,956
Other interest income	**182,256**	171,338
Rental income for investment properties under operating lease	**300**	300
Gain from sales of raw materials and scraps materials	**597,814**	516,606
Gain from sales of slag of carbon anode blocks	**509,394**	601,310
Gain on disposal of property, plant and equipment	**1,186**	63,146
Reversal of impairment of other receivables	**45**	–
Others	**4,703**	4,673
	1,837,861	1,658,719

6. OTHER EXPENSES

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of trade receivables	**4,693**	477
Impairment loss recognised in respect of other receivables	**–**	11,033
Impairment loss recognised in respect of property, plant and equipment	**534,225**	–
Write-down of inventories to net realisable value	**57,550**	77,878
	596,468	89,388

7. INCOME TAX EXPENSE

The Group calculates the period income tax expense using the tax rates that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss and other comprehensive income are:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	**–**	–
– Indonesia Corporate Tax	**124,437**	124,776
– PRC Enterprise Income Tax	**3,344,504**	593,310
– Withholding tax paid	**39,725**	–
	3,508,666	718,086
Deferred taxation	**354,447**	153,588
Total income tax expense for the period	**3,863,113**	871,674

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	**1,092,646**	1,081,620
Interest expenses on short-term debentures and notes	**37,205**	36,203
Interest expenses on medium-term debentures and bonds	**189,586**	215,836
Interest expenses on guaranteed notes	**188,544**	136,184
Interest expenses on convertible bonds	**96,295**	94,554
Interest expenses on other financial liability	**88,634**	–
Interest expenses on lease liabilities	**21,868**	11,850
Total interest expense for financial liabilities not measured at fair value through profit or loss ("**FVTPL**")	**1,714,778**	1,576,247
Less: amounts capitalised in the cost of qualifying assets	**(153,733)**	(101,573)
	1,561,045	1,474,674
Amortisation of intangible assets	**2,397**	2,823
Cost of inventories recognised as an expense	**55,790,488**	59,841,506
Depreciation of property, plant and equipment	**3,414,206**	3,483,019
Depreciation of investment properties	**1,430**	1,456
Depreciation of right-of-use assets	**146,044**	112,235
Foreign exchange loss, net	**361,202**	354,012
Research and development expenses (note)	**920,736**	1,031,524
Gross rental income from investment properties	**300**	300
Less: direct operating expenses incurred for investment properties that generated rental income during the period	**–**	–
	300	300

Note: Included in research and development expenses was staff cost of approximately RMB151,309,000 (six months ended 30 June 2023: RMB160,727,000).

9. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2023 Final dividend – HK29.0 cents (2023: 2022 Final dividend – HK10.0 cents)	**2,497,093**	872,364

Subsequent to the end of the reporting period, the directors of the Company have decided that an interim dividend of HK59.0 cents per share, amounting to approximately HK$5,590,568,000 in total will be paid, and the amount of interim dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial information, has not been recognised as a liability in the interim condensed consolidated financial information.

10. 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:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**9,154,911**	2,456,623
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**–**	–
Changes in fair values of derivatives component of convertible bonds	**–**	–
Exchange loss on translation of liability component of convertible bonds	**–**	–
Earnings for the purpose of diluted earnings per share	**9,154,911**	2,456,623

10. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**9,475,538**	9,475,538
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,475,538**	9,475,538

The computation of diluted earnings per share for the six months ended 30 June 2024 and 2023 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group purchased property, plant and equipment of approximately RMB411,154,000 (six months ended 30 June 2023: RMB200,749,000), and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB2,544,000 (six months ended 30 June 2023: RMB142,514,000).

During the six months ended 30 June 2024, the Group also spent approximately RMB4,816,750,000 (six months ended 30 June 2023: RMB1,485,397,000) on the construction of its new product lines and plant.

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 cash generating unit ("**CGU**"). The CGU is an individual plant. The carrying values of these individual plants were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparison approach is used to measure the fair values less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering expected earning period.

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the six months ended 30 June 2024, the directors of the Company conducted a review and determined that certain power plants were impaired. The recoverable amounts of relevant property, plant and equipment were determined based on the higher of their value in use and fair value less costs of disposal and the impairment of approximately RMB534,225,000 had been recognised in profit or loss. No impairment loss was recognised for property, plant and equipment for the six months ended 30 June 2023 as there is no impairment indicator identified at the reporting period end.

No reversal of impairment of property, plant and equipment was recognised during the six months ended 30 June 2024 and 2023.

There are properties with a carrying amount of approximately RMB5,102,048,000 (31 December 2023: RMB5,900,290,000) 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.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

As at 30 June 2024, right-of-use assets of approximately RMB8,820,025,000 (31 December 2023: RMB9,615,676,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. During the six months ended 30 June 2024, the Group purchased land use rights located in the PRC of approximately RMB214,069,000 (six months ended 30 June 2023: RMB1,210,749,000).

As at 30 June 2024, the Group is still in the process of obtaining the land certificate with the carrying amount of approximately RMB357,015,000 (31 December 2023: RMB572,399,000). 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.

During the six months ended 30 June 2024, the Group entered into a number of new lease agreements for office premises and land use rights and recognised right-of-use assets of approximately RMB2,119,000 and RMB60,136,000 (six months ended 30 June 2023: office premises and land use rights of approximately RMB15,821,000 and RMB584,189,000) respectively.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

(ii) Lease liabilities

As at 30 June 2024, the carrying amount of lease liabilities was approximately RMB947,124,000 (31 December 2023: RMB954,658,000).

(iii) Amount recognised in profit or loss

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	**146,044**	112,235
Interest expense on lease liabilities	**21,868**	11,850

(iv) Others

During the six months ended 30 June 2024, the total cash outflow for leases (excluded payments on purchase of land use rights) amounted to approximately RMB91,514,000 (six months ended 30 June 2023: RMB54,569,000).

13. INTERESTS IN ASSOCIATES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Costs of investments in associates	**6,033,825**	6,028,733
Share of profits and other comprehensive income, net of dividends received	**1,351,603**	537,025
	7,385,428	6,565,758
Loan to associates	**5,565,518**	4,468,674
	12,950,946	11,034,432

The loan to associates of US$380,928,000, equivalent to approximately RMB2,714,798,000 (31 December 2023: US$380,928,000, equivalent to approximately RMB2,697,999,000) is unsecured, interest bearing at Secured Overnight Financing Rate ("**SOFR**") + 3% and no fixed term for repayment.

The remaining loan to associates of US$400,000,000, equivalent to approximately RMB2,850,720,000 (31 December 2023: US$250,000,000, equivalent to approximately RMB1,770,675,000) is unsecured, interest bearing at SOFR + 5% and no fixed term for repayment.

During the six months ended 30 June 2024, the Group made additional contribution to an existing associate with an amount of approximately RMB5,092,000 (six months ended 30 June 2023: RMB22,000,000).

The Group's payable balances with the associates are disclosed in note 37.

14. GOODWILL

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Cost		
At beginning and at the end of the financial period/year	**1,934,457**	1,934,457
Impairment		
At beginning and at the end of the financial period/year	**1,656,233**	1,656,233
Carrying amount		
At the end of the financial period/year	**278,224**	278,224

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

No impairment loss has been recognised during the six months ended 30 June 2024 and year ended 31 December 2023.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

Financial assets at fair value through other comprehensive income ("**FVTOCI**") comprise:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Equity instrument as at FVTOCI		
– Listed	**951,431**	1,306,966
– Unlisted	**85,000**	94,412
	1,036,431	1,401,378

The fair value of these investments is disclosed in note 33.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI") (Continued)

The investments in listed equity securities are as follows:

Name of listed equity securities	Place of listing	Fair value 30 June 2024 RMB'000 (Unaudited)	 31 December 2023 RMB'000 (Audited)
Weihai City Commercial Bank Co., Ltd	Hong Kong	**655,213**	708,065
Bank of Jinzhou	Hong Kong	**–**	169,593
Innovation New Material Technology Co., Ltd.	Shanghai	**175,727**	218,459
Thunder Software Technology Co., Ltd.	Shenzhen	**119,508**	209,866
Others	Hong Kong	**983**	983
		951,431	1,306,966

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.

During the six months ended 30 June 2024, the Group has disposed a listed equity security at consideration of RMB166,485,000 (six months ended 30 June 2023: nil). At the date of disposal, the fair value of such investment is RMB166,485,000.

As at 30 June 2024, the investment in unlisted equity security represents the Group's interest in a private entity established in the PRC which engaged in development and application of semiconductor materials.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Financial assets at FVTPL		
– Limited partnerships	**11,497,484**	11,725,159

The fair value of these investments is disclosed in note 33.

The directors of the Company consider that the Group does not have any control nor significant influence to affect the variable returns through its investment in those enterprises or similar activities.

17. INVENTORIES

During the period, write-down of inventories of approximately RMB57,550,000 (six months ended 30 June 2023: RMB77,878,000) has been recognised.

During the six months ended 30 June 2024, inventories previously impaired were sold or used. As a result, a reversal of provision of approximately RMB106,365,000 (six months ended 30 June 2023: RMB112,917,000) has been recognised and included in cost of sales.

18. TRADE RECEIVABLES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	**7,251,507**	5,496,090
Less: allowance for impairment loss	**(12,032)**	(7,339)
	7,239,475	5,488,751

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 ageing analysis of trade receivables, net of allowance for impairment of trade receivables, presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period.

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 3 months	**6,726,029**	4,883,108
3 to 12 months	**510,460**	601,815
12 to 24 months	**2,986**	3,828
	7,239,475	5,488,751

19. BILLS RECEIVABLES

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within 3 months	**3,634,117**	3,292,402
3 to 6 months	**3,056,270**	1,684,399
Over 6 months	**12,617**	841
	6,703,004	4,977,642

TRANSFERS OF FINANCIAL ASSETS

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**3,146,008**	3,891,534
Carrying amount of trade payables	**(3,146,008)**	(3,891,534)
Net position	**–**	–

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

20. PREPAYMENTS AND OTHER RECEIVABLES

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Prepayments to suppliers	4,855,534	4,149,075
Prepayment to an associate	–	929,989
Value-added tax recoverable	2,226,952	2,275,719
Other receivables	1,109,541	1,416,438
	8,192,027	8,771,221
Less: allowance for impairment loss	(23,372)	(23,417)
	8,168,655	8,747,804

21. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

For the purpose of the condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Cash and bank balances	37,501,630	31,721,122
Restricted bank deposits	2,268,522	1,826,579
	39,770,152	33,547,701
Less:		
Restricted bank deposits:		
– pledged for bills payables	(1,281,040)	(1,295,834)
– pledged for issuance of letter of credit	(897,380)	(513,871)
– pledged for guarantee issued	(90,102)	(16,874)
Cash and cash equivalents	37,501,630	31,721,122

22. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Changes in fair values arising from:		
– derivatives component of convertible bonds (note 29)	**(1,387,102)**	14,393
– financial assets at FVTPL	**(227,675)**	–
	(1,614,777)	14,393

23. TRADE AND BILLS PAYABLES

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	**13,108,341**	11,516,014
Bills payables	**312,620**	132,262
	13,420,961	11,648,276

Included in trade payables are creditors with the following ageing analysis presented based on the invoice date at the end of the reporting period:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	**12,053,778**	10,856,474
6 to 12 months	**797,964**	400,421
1 to 2 years	**221,114**	229,088
More than 2 years	**35,485**	30,031
	13,108,341	11,516,014

The average credit period on purchases of goods is six months. Bills payables were bills of acceptance with maturity of less than one year.

24. BANK BORROWINGS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Current		
Secured bank borrowings	**9,993,131**	11,343,001
Unsecured bank borrowings	**24,439,735**	19,146,207
	34,432,866	30,489,208
Non-current		
Secured bank borrowings	**2,220,000**	1,194,862
Unsecured bank borrowings	**7,390,407**	7,427,046
	9,610,407	8,621,908
	44,043,273	39,111,116

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Within one year	**34,432,866**	30,489,208
In the second year	**3,817,939**	2,219,862
In the third to fifth years, inclusive	**5,742,468**	4,381,137
Over fifth years	**50,000**	2,020,909
	44,043,273	39,111,116

Fixed-rate borrowings with an aggregate carrying amount of approximately RMB38,444,400,000 (31 December 2023: RMB28,499,674,000) denominated in RMB at interest rate ranged from 3.50% to 7.75% (31 December 2023: 4.35% to 7.50%) per annum as at 30 June 2024.

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 Secured Overnight Financing Rate.

Bank borrowings of RMB7,200,000,000 (31 December 2023: RMB3,600,000,000) are guaranteed by a related party and was set out in note 37(c).

25. OTHER FINANCIAL LIABILITY

On 21 December 2023, Shandong Hongtuo Industrial Company Limited* ("**Shandong Hongtuo**") 山東宏拓實業有限公司, a subsidiary of the Company, entered into various capital contribution agreements with the investors for the capital contributions (at an aggregate cash consideration of RMB2,962,600,000). Details of the capital contributions are set out in the Company's announcements dated 21 December 2023.

Pursuant to the capital contributions from investors as mentioned above, a redemption right is granted by the Company to each investor.

Each investor shall have the right to request Shandong Weiqiao Aluminum & Power Co., Ltd.* ("**Shandong Weiqiao**") 山東魏橋鋁電有限公司, Shandong Hongqiao New Material Co., Ltd ("**Shandong Hongqiao**"), which are the subsidiaries of the Company, or other related parties designated by Shandong Weiqiao other than the Shandong Hongtuo and Shandong Hongqiao (one or more parties, singly or collectively, the "**Repurchase Obligor(s)**") to repurchase all of their equity interests in Shandong Hongtuo at the redemption price, if any of the triggering events occurs during the redemption period, which commenced from the date of the completion of each capital contribution to or before 31 December 2026.

The key triggering events included:

(i) Shandong Hongtuo fails to conduct an initial public offering and the listing of its securities on the Stock Exchange in the PRC after 36 months of capital contribution, unless such failure was a result of non-cooperation by the investors or any force majeure events as set out in the capital contribution agreements; and

(ii) Fails to fulfill dividend distribution policy (i.e. 30% of distributable profit) and anti-dilution compensation (i.e. subscription price for new registered capital cannot be lower than this capital contributions) as set out in the capital contribution agreements.

The redemption price was the principal amount plus accrued interest, being 6% per annum calculated from the date of the completion of each capital contribution to the date of receipt of the redemption price from each investors, less any dividends income received by each investor as the shareholders of Shandong Hongtuo.

In the opinion of the directors of the Company, except for the success listing of Shandong Hongtuo, the Group has the control of all other triggering events and does not expect redemption will occur within next twelve months from the end of the reporting period.

* The English translation is for reference only.

25. OTHER FINANCIAL LIABILITY (Continued)

The redemption right constituted a contract that contains an obligation for the Group to repurchase the equity instruments of the subsidiaries of the Company gives rise to a redemption financial liability recognised at the present value of the redemption price, being RMB2,962,600,000, and subsequently measured at amortised cost. The movements in the redemption financial liability are as follow:

	As at 30 June 2024 RMB'000 (Unaudited)
At the beginning of the period	**2,965,195**
Capital contribution from the investor	**–**
Interest expense	**88,634**
At the end of the period	**3,053,829**

26. SHORT-TERM DEBENTURES AND NOTES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Short-term debentures and notes	**7,000,000**	7,000,000

26. SHORT-TERM DEBENTURES AND NOTES (Continued)

The details of the unsecured short-term debentures and notes issued and outstanding as at 30 June 2024 and 31 December 2023 are set out as follows:

Debentures	Date of issue	Principal amount 30 June 2024 RMB'000 (Unaudited)	Principal amount 31 December 2023 RMB'000 (Audited)	Interest rate	Date of maturity
Short-term debentures F	16 February 2023	**–**	1,000,000	4.60%	16 February 2024
Short-term debentures G	10 March 2023	**–**	1,000,000	4.50%	10 March 2024
Short-term debentures H	24 May 2023	**–**	1,000,000	4.18%	24 May 2024
Short-term debentures I	12 July 2023	**1,000,000**	1,000,000	4.47%	12 July 2024
Short-term debentures J	23 August 2023	**1,000,000**	1,000,000	4.20%	23 August 2024
Short-term debentures K	22 September 2023	**1,000,000**	1,000,000	4.21%	22 September 2024
Short-term debentures L	28 November 2023	**1,000,000**	1,000,000	4.00%	28 November 2024
Short-term debentures M	11 January 2024	**1,000,000**	–	3.30%	11 January 2025
Short-term debentures N	6 February 2024	**1,000,000**	–	3.19%	6 February 2025
Short-term debentures O	17 May 2024	**1,000,000**	–	2.80%	17 May 2025

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.

27. MEDIUM-TERM DEBENTURES AND BONDS

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Medium-term debentures and bonds – due within one year	**5,511,900**	8,116,930
Medium-term debentures and bonds – due after one year	**7,782,073**	3,206,332
	13,293,973	11,323,262

27. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

The details of the unsecured, medium-term debentures and bonds issued and outstanding as at 30 June 2024 and 31 December 2023 are set out as follows:

Debentures	Date of issue	Principal amount 30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)	Coupon interest rate	Effective interest rate	Date of maturity
Unlisted						
Medium-term debentures Q	14 January 2022	**–**	1,000,000	4.50%	4.80%	14 January 2024
Medium-term debentures R	18 March 2022	**–**	1,000,000	4.50%	4.80%	18 March 2024
Medium-term debentures S	30 March 2023	**300,000**	300,000	4.82%	4.82%	30 March 2025
Medium-term debentures T	13 April 2023	**1,000,000**	1,000,000	4.96%	4.82%	13 April 2025
Medium-term debentures U	16 June 2023	**600,000**	600,000	5.00%	4.82%	16 June 2025
Medium-term debentures V	28 July 2023	**720,000**	720,000	4.96%	4.82%	28 July 2025
Medium-term debentures W	21 August 2023	**300,000**	300,000	4.95%	4.82%	21 August 2025
Medium-term debentures X	26 December 2023	**300,000**	300,000	4.82%	4.82%	26 December 2025
Medium-term debentures Y	19 January 2024	**1,000,000**	–	4.00%	4.31%	19 January 2026
Medium-term debentures Z	1 February 2024	**1,000,000**	–	3.78%	4.10%	1 February 2026
Medium-term debentures AA	4 March 2024	**1,000,000**	–	3.60%	3.92%	4 March 2026
Medium-term debentures AB	22 March 2024	**1,000,000**	–	3.50%	3.91%	22 March 2026
Medium-term debentures AC	12 April 2024	**1,000,000**	–	3.50%	3.82%	12 April 2026
Medium-term debentures AD	14 June 2024	**1,000,000**	–	2.60%	2.91%	14 June 2026
Medium-term debentures AE	27 June 2024	**500,000**	–	2.57%	2.88%	27 June 2026
Listed						
Enterprise bonds L	26 March 2019	**–**	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds N	11 June 2021	**–**	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	**1,000,000**	1,000,000	4.16%	4.26%	20 August 2024
Enterprise bonds P	13 June 2022	**1,000,000**	1,000,000	4.30%	4.52%	13 June 2025
Enterprise bonds Q	3 August 2022	**1,000,000**	1,000,000	4.50%	4.60%	3 August 2025
Enterprise bonds R	3 November 2022	**620,000**	620,000	4.00%	4.12%	3 November 2027

Enterprise bonds were issued according to the approvals issued by National Development and Reform Commission and are listed on Shanghai Stock Exchange and carry interest at coupon rate with the issuer's option to adjust the rate at pre-agreed dates.

According to the terms and conditions of enterprise bonds P and Q, 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 at the end of the second year and the Group has a right to adjust the interest rate of the enterprise bonds.

27. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

According to the terms and conditions of enterprise bonds R, 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 at the end of each year and the Group has a right to adjust the interest rate of the enterprise bonds.

As a result, the above three enterprise bonds were classified as current liabilities as at 30 June 2024.

Debentures were issued to various independent third parties according to the approvals issued by NAFMII and all of the debentures carry interest at fixed rate without any early redemption clause.

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.

28. GUARANTEED NOTES

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Amounts shown under current liabilities	**2,125,961**	3,511,821

On 25 March 2024, the Company issued 7.75% guaranteed notes with the aggregate principal amount of US$300,000,000 (equivalent to approximately RMB2,131,770,000) (the "**2025 Guaranteed Notes**") which are guaranteed by certain subsidiaries of the Group. The 2025 Guaranteed Notes will mature on 27 March 2025.

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,230,050,000) (the "**2024 Guaranteed Notes**") which are guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will mature on 31 May 2024. On 31 May 2024, the Company has redeemed the 2024 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

29. CONVERTIBLE BONDS

On 25 January 2021, the Company issued a new convertible bonds ("**2021 CBs**") bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US$300,000,000. The 2021 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at an original conversion price of HK$8.91 per share (subject to adjustment as provided in the term of agreements) with fixed exchange rate of HK$7.7530 equal to US$1.00 at any time on or after 7 March 2021 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 put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

The movements of the liability and derivatives components of the 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2021 CBs	**Derivatives component of 2021 CBs**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2023 (Audited)	1,830,527	457,010	2,287,537
Changes in fair values	–	(14,393)	(14,393)
Effective interest expenses	94,554	–	94,554
Interest paid	(54,813)	–	(54,813)
Exchange translation	91,117	22,428	113,545
As at 30 June 2023 (Unaudited)	1,961,385	465,045	2,426,430
As at 1 January 2024 (Audited)	**1,963,567**	**521,919**	**2,485,486**
Changes in fair values	**–**	**1,387,102**	**1,387,102**
Effective interest expenses	**96,295**	**–**	**96,295**
Interest paid	**(56,893)**	**–**	**(56,893)**
Exchange translation	**41,560**	**25,322**	**66,882**
As at 30 June 2024 (Unaudited)	**2,044,529**	**1,934,343**	**3,978,872**

29. CONVERTIBLE BONDS (Continued)

No redemption, purchase or cancellation by the Company has been made in respect of the 2021 CBs during the six months ended 30 June 2024 and 2023.

As a result of the Company's declaration of dividend, the conversion price of the 2021 CBs was adjusted to HK$6.54 per share (31 December 2023: HK$6.82) with effect from 31 May 2024. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 30 June 2024, the principal amount of the 2021 CBs that remained outstanding amounted to US$300,000,000 (31 December 2023: US$300,000,000) of which a maximum of 355,642,201 (31 December 2023: 341,041,055) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the 2021 CBs are set out in announcements of the Company dated 11 June 2021, 25 November 2021, 31 May 2022, 21 November 2022, 31 May 2023 and 30 May 2024.

At 30 June 2024 and 31 December 2023, the fair values of the derivatives component was valued by Asia-Pacific Consulting and 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 end of the reporting period using the binomial option pricing model. The changes in fair value of the derivatives component of convertible bonds were recognised in profit or loss. The inputs into the model were as follows:

	2021 CBs	
	At 30 June 2024 (Unaudited)	At 31 December 2023 (Audited)
Share price	**HK$11.82**	HK$6.39
Conversion price	**HK$6.54**	HK$6.82
Expected volatility	**41.64%**	46.32%
Expected life	**1.60 years**	2.07 years
Risk free rate	**4.87%**	4.12%
Expected dividend yield	**4.00%**	3.92%

30. FINANCIAL ASSET AT AMORTISED COST

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Financial asset at amortised cost		
Collective investment trust B	**2,494,000**	2,494,000

The collective investment trust B represents asset income trust with 2,494,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. 中信信託有限責任公司 and will be matured on 13 January 2028. The asset income trust carries fixed interest rate of 5.78% per annum.

31. ISSUED CAPITAL

	Number of shares		Share Capital	
	30 June 2024	31 December 2023	**30 June 2024 US$**	31 December 2023 US$
Authorised:				
Ordinary shares of US$0.01 each	**20,000,000,000**	20,000,000,000	**200,000,000**	200,000,000

	30 June 2024	31 December 2023	**30 June 2024 US$**	31 December 2023 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**9,475,538,425**	9,475,538,425	**94,755,384**	94,755,384

31. ISSUED CAPITAL (Continued)

	Number of shares	Share Capital RMB'000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 30 June 2024	9,475,538,425	618,881

The Company does not have any share option scheme.

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

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

32. 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 in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong 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; (v) share of capital reserve of an associate and subsidiaries from Shandong Innovation Carbon New Material Co., Ltd.* ("**Innovation Carbon New Material**") 山東創新炭材料有限公司; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

(b) Statutory surplus reserve

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

* The English name of the above companies are for reference only.

32. RESERVES (Continued)

(c) Translation reserve

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

(d) Investment revaluation reserve

Investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

33. FAIR VALUE DISCLOSURES

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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.

33. FAIR VALUE DISCLOSURES (Continued)

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2024 and 31 December 2023. The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2024	31/12/2023	
		RMB'000	RMB'000	
		(Unaudited)	(Audited)	
Financial asset at FVTOCI – listed equity instrument	Level 1	**951,431**	1,306,966	Quoted bid prices in an active market
Financial asset at FVTOCI – unlisted equity instrument	Level 3	**85,000**	94,412	Market approach – Based on price-to-book ("P/B") multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B ratio, the higher the fair value)
Financial asset at FVTPL – limited partnerships	Level 3	**11,497,484**	11,725,159	Market approach – Based on P/B or price-to-sales ("P/S") multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B or P/S ratio, the higher the fair value) Income approach – by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate (Key unobservable inputs: the higher the discount rate, the lower the fair value)
Conversion option derivative of convertible bonds	Level 3	**1,934,343**	521,919	Binomial option pricing model, the key inputs are underlying share price, exercise price, risk free rate, volatility and dividend yield (Key unobservable inputs: higher the volatility, the higher the fair value)

33. FAIR VALUE DISCLOSURES (Continued)

There were no transfer between levels of fair value hierarchy in the current and prior periods.

Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis:

	Limited partnerships RMB'000	Conversion option derivative of convertible bonds RMB'000	Unlisted equity securities RMB'000
At 1 January 2024	11,725,159	521,919	94,412
Total losses			
– in profit or loss (note 22)	(227,675)	1,387,102	–
– in other comprehensive income	–	–	(9,412)
Exchange difference	–	25,322	–
At 30 June 2024	11,497,484	1,934,343	85,000

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.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the interim condensed consolidated financial information approximate their fair value.

34. PLEDGE OF ASSETS

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Restricted bank deposits (note 21)	**2,268,522**	1,826,579
Property, plant and equipment (note 11)	**4,886,765**	10,523,030
Right-of-use assets (note 12)	**926,064**	544,629

35. COMMITMENTS

At the end of the reporting period, the Group had the following capital and other commitments:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**8,127,919**	5,833,281
Commitments arising from unlisted equity investments in partnerships	**1,408,283**	1,408,283

In addition, the Group agreed to provide performance guarantee for Baowu Simandou Mining (Shanghai) Company Limited ("**Baowu Simandou (Shanghai)**"), an independent third party, for the funding obligation under the Simandou project entered into between Winning Consortium Simandou Pte. Ltd. ("**WCS**") and Winning Consortium Simandou Infrastructure Pte. Ltd. ("**WCSI**"), associates of the Group and being the beneficiary, and Baowu Simandou (Shanghai). Pursuant to the agreements, the Group shall undertake to fund the project in an amount not exceeding US$1,780,000,000, equivalent to approximately RMB12,607,206,000 (which indirectly includes the obligations of the Group for its relevant funding contribution under the Winning Consortium Holdings Pte. Ltd. shareholders agreement).

36. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

In February 2024, the Group acquired an additional 4.04% issued shares of Shandong Hongqiao, increasing its ownership interest to 98.56%. Cash consideration of approximately RMB3,084,009,000 was paid to the non-controlling shareholders. The difference between the carrying amount of 4.04% interest acquired of Shandong Hongqiao and consideration paid was recognised in capital reserve within equity.

37. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the interim condensed consolidated financial information, the Group has the following related parties transactions.

(a) During the six months ended 30 June 2024, 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 ii
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)	note iii
Shandong Minghong Textile Technology Company Limited (“**Ming Hong Textile**”) 山東銘宏紡織科技有限公司 (note i)	note iii
Binzhou City Construction Investment Development Co. Ltd. (“**Binzhou Investment**”)濱州市公建投資開發有限公司 (note i)	note iii
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. (“**Beihai Solid Waste**”) 濱州市北海魏橋固廢處置有限公司 (note i)	note iii
Shandong Ruixin Tendering Co., Ltd (“**Shandong Ruixin**”) 山東瑞信招標有限公司 (note i)	note iii
Zhanhua Weiqiao Port Logistics Co., Ltd. (“**Zhanhua Weiqiao Port Logistics**”) 沾化魏橋港口物流有限公司 (note i)	note iii
Weiqiao Textile Co. Ltd (“**Weiqiao Textile**”) 魏橋紡織股份有限公司	note iii
Shandong Xiangshang Clothing Culture Co., Ltd. (“**Shandong Xiangshang**”) 山東向尚服飾文化有限公司 (note i)	note iii
Shandong Weiqiao Jiajia Home Textile Co., Ltd. (“**Weiqiao Jiajia**”) 山東魏橋嘉嘉家紡有限公司 (note i)	note iii
Shandong Anhao Medical Protective Products Technology Co., Ltd. (“**Shandong Anhao Medical**”) 山東安好醫療防護用品科技有限公司 (note i)	note iii
Weihai Weiqiao Energy Co., Ltd. (“**Weihai Weiqiao Energy**”) 威海魏橋能源有限公司 (note i)	note iii

37. RELATED PARTY TRANSACTIONS (Continued)

(a) During the six months ended 30 June 2024, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

Name of party	Relationship
PT. Harita Jayaraya ("**Harita Jayaraya**")	note iv
PT. Cita Mineral Investindo, Tbk.	A subsidiary of Harita Jayaraya
PT. Antar Sarana Rekasa	A subsidiary of Harita Jayaraya
Aihuahai (Weihai) Graphic Imaging Co., Ltd. ("**Aihuahai (Weihai)**") 愛華海(威海)圖文影像有限公司 (note i)	An associate of Weiqiao Chuangye
Zhanhua Jinsha Water Supply Co., Ltd. ("**Jinsha Water Supply**") 沾化金沙供水有限公司 (note i)	An associate of Weiqiao Chuangye
Business Aviation Asia (Cayman) Limited ("**Business Aviation**")	An associate of Weiqiao Chuangye
Winning Consortium Simandou Railway Pte. Ltd. ("**WCSR**")	note v
Shandong Innovation Carbon New Material Co., Ltd. ("**Innovation Carbon New Material**") 山東創新炭材料有限公司 (note i)	note v
Africa Bauxite Mining Company Ltd ("**ABM**")	note v
GTS Global Trading Pte. Ltd. ("**GTS**")	note v
Wining Alliance Ports SA ("**WAP**")	note v
Societe Miniere de Boke S.A ("**SMB**")	note v
Zouping Binneng Energy Technology Co., Ltd ("**Binneng Energy**") 鄒平濱能能源科技有限公司 (note i)	note v
Shandong Weiqiao Haiyi Environmental Technology Co., Ltd. ("**Weiqiao Haiyi**") 山東魏橋海逸環保科技有限公司 (note i)	note v
Shandong Binhong Photovoltaic New Energy Co., Ltd. ("**Shandong Binhong**") 山東濱宏光伏新能源有限公司 (note i)	note v
Shandong Weiqiao New Energy Co., Ltd. ("**Weiqiao New Energy**") 山東魏橋新能源有限公司 (note i)	note iii

37. RELATED PARTY TRANSACTIONS (Continued)

(a) During the six months ended 30 June 2024, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

Notes:

i. The English translation is for reference only.

ii. 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.

iii. Entities controlled by 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. Associate of a subsidiary of the Company.

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

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Sales of steam			
– Binzhou Industrial Park	(a)	**7,624**	7,206
– Ming Hong Textile	(a)	**2,006**	2,328
– Binzhou Investment	(a)	**16,597**	17,068
– Zhanhua Weiqiao Port Logistics	(a)	**944**	867
Sales of water			
– Zhanhua Weiqiao Port Logistics	(a)	**59**	55
Sales of electricity			
– Shandong Binhong	(a)	**91**	60
– Weiqiao Haiyi	(a)	**20**	–
Sales of aluminum products			
– Aihuahai (Weihai)	(a)	**43,196**	–
– Binneng Energy	(a)	**754**	–

37. RELATED PARTY TRANSACTIONS (Continued)

(a) During the six months ended 30 June 2024, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

During the reporting period, the Group entered into the following transactions with related parties: (Continued)

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	 2023 RMB'000 (Unaudited)
Sales of coal			
– Binneng Energy	(a)	**13,134**	–
Purchase of right-of-use assets			
– Weiqiao Chuangye	(a)	**–**	(525,127)
Purchases of water			
– Jinsha Water Supply	(b)	**(16,686)**	(12,229)
– Weiqiao Chuangye	(b)	**(20,120)**	(23,285)
Industrial waste expenses			
– Beihai Solid Waste	(b)	**(40,428)**	(43,591)
Purchases of bauxite			
– GTS	(f)	**(8,846,224)**	(6,601,490)
– PT. Cita Mineral Investindo, Tbk.	(f)	**(530,987)**	–
Purchases of steam			
– Binneng Energy	(f)	**(298,757)**	(499,817)
– Weihai Weiqiao Energy	(f)	**(2,348)**	(2,212)
Purchases of aluminum products			
– Aihuahai (Weihai)	(f)	**(4,938)**	–

37. RELATED PARTY TRANSACTIONS (Continued)

(a) During the six months ended 30 June 2024, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

During the reporting period, the Group entered into the following transactions with related parties: (Continued)

	Notes	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Purchase of electricity			
– Binneng Energy	(f)	**(6,662,647)**	(7,636,460)
– Weihai Weiqiao Energy	(a)	**–**	(28,445)
– Shandong Binhong	(a)	**(10,424)**	(4,292)
– Weiqiao Chuangye	(a)	**(1)**	–
Legal and professional fee			
– Shandong Ruixin	(a)	**(15,716)**	–
– Business Aviation	(a)	**(22,815)**	–
– Weiqiao New Energy	(a)	**(9,312)**	–
Purchase of anode carbon block			
– Innovation Carbon New Material	(f)	**(688,110)**	(914,363)
Purchase of accessories			
– Shandong Xiangshang	(a)	**(90)**	(350)
– Weiqiao Jiajia	(a)	**(28)**	(645)
– Shandong Anhao Medical	(a)	**–**	(161)
– Weiqiao Haiyi	(a)	**(169)**	–
– Binneng Energy	(a)	**(211)**	–
Lease Payment			
– Weiqiao Chuangye	(a), (c)	**(38,982)**	(38,982)
– Harita Jayaraya	(e), (f)	**(589)**	(589)
– PT. Antar Sarana Rekasa	(d), (f)	**(4,180)**	(4,176)

37. RELATED PARTY TRANSACTIONS (Continued)

(a) During the six months ended 30 June 2024, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

During the reporting period, the Group entered into the following transactions with related parties: (Continued)

		Six months ended 30 June	
		2024	2023
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Interest income from associates			
– Binneng Energy	(f)	**60,333**	60,333
– ABM	(f)	**112,129**	–
– WCSR	(f)	**145,820**	53,623

Notes:

(a) The related party transactions 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 14.76 of the Listing Rules.

(b) The related party transactions 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) The Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye in 2018. The amount of lease payment made by the Group under the lease is approximately RMB237,000 per month. As at 30 June 2024, the carrying amount of such lease liabilities is approximately RMB38,068,000 (31 December 2023: RMB39,015,000).

The Group entered into a twenty-year lease in respect of land from Weiqiao Chuangye in 2023. The amount of lease payment made by the Group under the lease is approximately RMB37,560,000 per year and prepaid each year. As at 30 June 2024, the carrying amount of such lease liabilities is approximately RMB479,814,000 (31 December 2023: RMB507,744,000).

(d) For the year ended 31 December 2022, the Group entered into a lease for 3 years in respect of vessels in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB720,000 per month. As at 30 June 2024, the carrying amount of such lease liabilities is RMB3,969,000 (31 December 2023: RMB8,010,000).

(e) For the year ended 31 December 2023, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB98,000 per month. As at 30 June 2024, the carrying amount of such lease liabilities is RMB558,000 (31 December 2023: RMB1,121,000).

(f) The related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

37. RELATED PARTY TRANSACTIONS (Continued)

(a) During the six months ended 30 June 2024, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

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

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Loans to associates			
ABM		2,714,798	2,697,999
Binneng Energy	(a)	2,000,000	2,000,000
WCSR		2,850,720	1,770,675
Trade payables			
GTS		(408,490)	(410,577)
Innovation Carbon New Material		(189,576)	(238,019)
Jinsha Water Supply		(4,412)	(2,438)
Weiqiao Chuangye		(17,986)	(10,407)
Binneng Energy		(533,133)	–
Shandong Binhong		(2,649)	–
PT. Cita Mineral Investindo, Tbk.		(100,905)	(90,322)
Beihai Solid Waste		(153,350)	–
Shandong Anhao Medical		(48)	–
Weiqiao Jiajia		(22)	–
Shandong Xiangshang		(170)	–
Prepayments to an associate			
Binneng Energy		–	929,989
Interest receivable			
ABM		112,512	90,185
WCSR		330,656	183,261

Note:

(a) The loan was secured by certain plant and equipment held by the respective associate, bearing interest at 6% (2023: 6%) per annum and repayable in June 2026.

37. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

Key management personnel including directors and senior staff management of the Company.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefit	**4,108**	5,350
Retirement benefits scheme contributions	**84**	62
	4,192	5,412

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by related parties were as follows:

	As at 30 June 2024	As at 31 December 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Weiqiao Chuangye	**7,200,000**	3,600,000

38. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2024, the Group entered into new arrangement in respect of office premises and land use rights. Right-of-use assets and lease liabilities of approximately RMB62,255,000 (six months ended 30 June 2023: RMB600,010,000) were recognised at the commencement of the lease.

SHINEWING (HK) CPA Limited
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311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

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 68 to 192, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

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

- Estimated allowance on inventories;
- Impairment assessment of property, plant and equipment;
- Impairment assessment of interest in Zouping Binneng Energy Technology Co., Ltd* ("Binneng Energy") 鄒平濱能能源科技有限公司; and
- Impairment assessment of loans to associates.

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 25 to the consolidated financial statements and the accounting policies on page 95.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the carrying amount of the inventories was approximately RMB33,958,455,000. 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.	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 2023. 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 calculation of net realisable value (which include estimated cost of completion, estimated cost necessary to make the sale and the latest selling prices) of the respective inventories, and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

* The English translation is for reference only

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements and the accounting policies on pages 104 to 105.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the carrying amount of property, plant and equipment amounted to approximately RMB70,200,235,000. Management assesses property, plant and equipment for potential impairment whenever there are indications that the carrying value may not be recoverable. An impairment loss on property, plant and equipment of approximately RMB805,162,000 was recognised for the year ended 31 December 2023. 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 valuation specialist in determining the recoverable amount of property, plant and equipment.	We understood the management methodology and basis applied in calculating the recoverable amounts. We evaluated the recoverable amount calculations of the relevant assets prepared by the management by 1) obtaining external valuation reports for those assets where their recoverable amounts are determined by higher of value in use and fair value less cost of disposal; 2) considering the objectivity, independence and competency of the valuation specialist; 3) assessing the appropriateness of the valuation methodologies and challenged the reasonableness of methodologies and the use of market data and assumptions applied in determining the value in use and fair value less cost of disposal and 4) checking the mathematical accuracy of the impairment models.

IMPAIRMENT ASSESSMENT OF INTEREST IN BINNENG ENERGY

Refer to note 20 to the consolidated financial statements and the accounting policies on page 85.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the carrying amount of the Group's interest in Binneng Energy amounted to approximately RMB5,188,686,000. 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.	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. In order to address this matter in our audit, we obtained management's impairment assessment and reviewed the future cash flow forecast prepared by management. 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 LOANS TO ASSOCIATES

Refer to notes 20 and 21 to the consolidated financial statements and the accounting policies on pages 85, 99 to 102.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the Group had loans provided to associates at carrying amount of RMB6,468,674,000, of which RMB4,468,674,000 is included in interests in associates. The loans provided to associates is assessed for impairment individually and involves significant management judgment in assessing the expected credit loss ("ECL"), 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 loans to associates 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 review the management's assessment of the ECL model adopted for the loss allowance on loans to associates. 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 input data used by the management with reference to the historical credit loss experience, financial information of associates, recoverable amount of the collateral, the latest available general economic data and forward looking information.

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, but does not include 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 THE AUDIT COMMITTEE 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.

The Audit Committee 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, 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 Kwan Chi Fung.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614

22 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**133,623,632**	131,699,427
Cost of sales		**(112,669,035)**	(113,460,127)
Gross profit		**20,954,597**	18,239,300
Other income and gains	7	**3,713,038**	3,928,933
Selling and distribution expenses		**(755,274)**	(597,679)
Administrative expenses		**(4,952,875)**	(5,933,759)
Other expenses	8	**(945,299)**	(329,047)
Finance costs	9	**(3,267,938)**	(3,019,544)
Changes in fair values of financial instruments	32	**(49,044)**	(184,981)
Share of profits of associates	20	**1,193,259**	503,335
Profit before taxation		**15,890,464**	12,606,558
Income tax expenses	10	**(3,392,712)**	(2,797,583)
Profit for the year	11	**12,497,752**	9,808,975
Attributable to:			
Owners of the Company		**11,460,678**	8,701,953
Non-controlling interests		**1,037,074**	1,107,022
		12,497,752	9,808,975
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**108,753**	356,375
Share of other comprehensive income of associates		**22,707**	177,920
		131,460	534,295
Items that will not be reclassified subsequently to profit or loss:			
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income		**(141,210)**	133,253
Total comprehensive income for the year, net of income tax		**12,488,002**	10,476,523
Total comprehensive income for the year attributable to			
Owners of the Company		**11,422,590**	9,217,385
Non-controlling interests		**1,065,412**	1,259,138
		12,488,002	10,476,523
Earnings per share	15		
– Basic (RMB)		**1.2095**	0.9358
– Diluted (RMB)		**1.1952**	0.9358

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**70,200,235**	68,060,299
Right-of-use assets	17	**9,675,440**	7,672,678
Intangible assets	18	**42,907**	34,291
Investment properties	19	**38,159**	41,046
Deposits paid for acquisition of property, plant and equipment		**1,045,165**	644,100
Deferred tax assets	41	**2,990,023**	2,605,197
Interests in associates	20	**11,034,432**	10,296,678
Loan to an associate	21	**2,000,000**	2,000,000
Goodwill	22	**278,224**	278,224
Financial asset at amortised cost	29	**2,494,000**	2,499,000
Financial assets at fair value through other comprehensive income	23	**1,401,378**	1,542,588
Financial assets at fair value through profit or loss	24	**11,725,159**	–
Prepayment	28	**–**	2,500,000
		112,925,122	98,174,101
CURRENT ASSETS			
Inventories	25	**33,958,455**	37,267,620
Trade receivables	26	**5,488,751**	4,610,695
Bills receivables	27	**4,977,642**	5,573,175
Prepayments and other receivables	28	**8,747,804**	10,051,561
Other financial asset	30	**–**	2,122
Income tax recoverable		**674,610**	957,917
Restricted bank deposits	31	**1,826,579**	1,720,058
Cash and cash equivalents	31	**31,721,122**	27,384,542
		87,394,963	87,567,690
CURRENT LIABILITIES			
Trade and bills payables	33	**11,648,276**	14,911,002
Other payables and accruals	34	**10,603,297**	12,357,158
Bank borrowings – due within one year	35	**30,489,208**	30,533,850
Lease liabilities	17	**37,952**	16,161
Income tax payable		**2,586,352**	618,264
Short-term debentures and notes	37	**7,000,000**	3,000,000
Medium-term debentures and bonds – due within one year	38	**8,116,930**	8,507,112
Guaranteed notes – due within one year	39	**3,511,821**	1,392,893
Deferred income	42	**35,290**	36,684
		74,029,126	71,373,124
NET CURRENT ASSETS		**13,365,837**	16,194,566
TOTAL ASSETS LESS CURRENT LIABILITIES		**126,290,959**	114,368,667

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	35	**8,621,908**	4,993,909
Other financial liability	36	**2,965,195**	–
Lease liabilities	17	**916,706**	51,755
Liability component of convertible bonds – due after one year	40	**1,963,567**	1,830,527
Derivative component of convertible bonds – due after one year	40	**521,919**	457,010
Deferred tax liabilities	41	**363,704**	523,795
Medium-term debentures and bonds – due after one year	38	**3,206,332**	5,960,847
Guaranteed notes – due after one year	39	**–**	3,450,755
Deferred income	42	**1,475,183**	794,292
		20,034,514	18,062,890
NET ASSETS		**106,256,445**	96,305,777
CAPITAL AND RESERVES			
Share capital	43	**618,881**	618,881
Reserves	44	**91,625,797**	83,879,972
Equity attributable to owners of the Company		**92,244,678**	84,498,853
Non-controlling interests		**14,011,767**	11,806,924
TOTAL EQUITY		**106,256,445**	96,305,777

The consolidated financial statements on pages 68 to 192 were approved and authorised recognised for issue by the board of directors on 22 March 2024 and are signed on its behalf by:

Zhang Bo
Director

Zhang Ruilian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 44(d))	Capital reserve RMB'000 (Note 44(a))	Translation reserve RMB'000 (Note 44(c))	Statutory surplus reserve RMB'000 (Note 44(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777
Profit for the year	-	-	-	-	-	-	11,460,678	11,460,678	1,037,074	12,497,752
Other comprehensive income for the year:										
Fair value gain on investments in equity instruments at fair value through other comprehensive income	-	-	(141,210)	-	-	-	-	(141,210)	-	(141,210)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	80,415	-	-	80,415	28,338	108,753
Share of other comprehensive income of associates	-	-	-	-	22,707	-	-	22,707	-	22,707
Total comprehensive income	-	-	(141,210)	-	103,122	-	11,460,678	11,422,590	1,065,412	12,488,002
Capital contribution	-	-	-	-	-	-	-	-	1,078,868	1,078,868
Acquisition of a subsidiary (note 47)	-	-	-	-	-	-	-	-	752,371	752,371
Change in ownership in interest in a subsidiary (note 48)	-	-	-	109,347	-	-	-	109,347	(109,347)	-
Transfer of reserves	-	-	-	-	-	2,516,563	(2,516,563)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(3,786,112)	(3,786,112)	(582,461)	(4,368,573)
	-	-	-	109,347	-	2,516,563	(6,302,675)	(3,676,765)	1,139,431	(2,537,334)
At 31 December 2023	618,881	25,040,832	(860,981)	327,046	426,433	18,820,750	47,871,717	92,244,678	14,011,767	106,256,445

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 44(d))	Capital reserve RMB'000 (Note 44(a))	Translation reserve RMB'000 (Note 44(c))	Statutory surplus reserve RMB'000 (Note 44(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829
Profit for the year	–	–	–	–	–	–	8,701,953	8,701,953	1,107,022	9,808,975
Other comprehensive income for the year:										
Fair value gain on investments in equity instruments at fair value through other comprehensive income	–	–	133,253	–	–	–	–	133,253	–	133,253
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	204,259	–	–	204,259	152,116	356,375
Share of other comprehensive income of associates	–	–	–	–	177,920	–	–	177,920	–	177,920
Total comprehensive income	–	–	133,253	–	382,179	–	8,701,953	9,217,385	1,259,138	10,476,523
Capital contribution	–	–	–	–	–	–	–	–	395,210	395,210
Share of capital reserve of an associate	–	–	–	23,918	–	–	–	23,918	–	23,918
Issue of shares upon conversion of convertible bonds (note 40)	23,742	2,207,465	–	–	–	–	–	2,231,207	–	2,231,207
Transfer to non-controlling interests	–	–	–	1,849	–	–	–	1,849	(1,849)	–
Change in ownership in interest in a subsidiary (note 48)	–	–	–	(57,650)	–	–	–	(57,650)	(178,850)	(236,500)
Transfer of reserves	–	–	–	–	–	1,353,142	(1,353,142)	–	–	–
Dividends paid (note 14)	–	–	–	–	–	–	(8,225,651)	(8,225,651)	(797,759)	(9,023,410)
	23,742	2,207,465	–	(31,883)	–	1,353,142	(9,578,793)	(6,026,327)	(583,248)	(6,609,575)
At 31 December 2022	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	**2023** **RMB'000**	2022 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**15,890,464**	12,606,558
Adjustments for:			
Interest income		**(1,023,491)**	(701,021)
Finance costs		**3,267,938**	3,019,544
Share of profits of associates		**(1,193,259)**	(503,335)
Depreciation of property, plant and equipment		**6,950,068**	6,762,988
Depreciation of investment properties		**2,887**	3,067
Depreciation of right-of-use assets		**226,135**	178,886
Gain on disposal of property, plant and equipment		**(69,939)**	(22,783)
Loss on fair values changes of financial instruments		**49,044**	184,981
Gain on bargain purchase	47	**–**	(20,522)
Amortisation of intangible assets		**6,945**	6,118
Amortisation of deferred income		**(44,898)**	(47,910)
Reversal of write-down of inventories		**(8,195)**	(20,417)
Impairment (reversal of impairment) of trade receivables		**620**	(1,223)
(Reversal of impairment) impairment of other receivables		**(3,603)**	82
Write-down of inventories		**126,282**	104,127
Impairment loss recognised in respect of property, plant and equipment		**805,162**	224,838
Impairment loss recognised in respect of right-of-use assets		**13,235**	–
Gain on disposal of an associate		**(21,053)**	–
Unrealised foreign exchange loss (gain), net		**97,068**	655,885
Operating cash flows before movements in working capital		**25,071,410**	22,429,863
Decrease (increase) in inventories		**3,233,686**	(14,292,291)
(Increase) decrease in trade receivables		**(857,579)**	2,929,117
Decrease in bills receivables		**595,533**	6,910,804
Decrease in prepayments and other receivables		**1,562,698**	1,243,275
Decrease in trade and bills payables		**(3,338,788)**	(4,620,725)
Decrease in other payables and accruals		**(2,178,424)**	(830,151)
Cash generated from operations		**24,088,536**	13,769,892
Income tax paid		**(1,686,234)**	(6,148,056)
NET CASH FROM OPERATING ACTIVITIES		**22,402,302**	7,621,836

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES			
Purchase of financial asset at amortised cost		**(2,494,000)**	–
Proceeds from disposal of financial assets at amortised cost		**2,499,000**	–
Purchase of financial assets at FVTOCI		**–**	(350,429)
Purchase of financial assets at FVTPL		**(9,225,159)**	–
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment		**(6,046,330)**	(8,848,359)
Placement of restricted bank deposits		**(758,033)**	(456,479)
Proceeds from disposal of an associate		**678,990**	–
Proceeds from disposal of property, plant and equipment		**383,906**	50,691
Settlement of other financial liabilities		**–**	(4,497)
Addition to right-of-use assets		**(1,208,879)**	(1,424,871)
Interest received		**791,571**	656,960
Withdrawal of restricted bank deposits		**651,512**	360,295
Purchases of intangible assets		**(15,561)**	(7,814)
Capital refund of associates		**550,250**	–
Loan to an associate		**(625,985)**	(1,044,690)
Repayment of loan to an associate		**759,668**	–
Prepayment for capital injection to a limited partnership		**–**	(2,500,000)
Net cash outflow on acquisition of subsidiaries	47	**(3,006,976)**	(833,318)
Proceeds of disposal of other financial asset		**2,122**	–
Capital injection to associates		**(824,609)**	(2,370,021)
NET CASH USED IN INVESTING ACTIVITIES		**(17,888,513)**	(16,772,532)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**38,227,341**	23,078,057
Proceeds from other financial liability		**2,962,600**	–
Proceeds from issuance of medium-term debentures and bonds		**3,220,000**	5,000,000
Proceeds from issuance of short-term debentures and notes		**7,000,000**	3,000,000
Acquisition of additional interest of a subsidiary	48	**–**	(236,500)
Receipt of government grants		**724,395**	16,993
Transaction costs on issuance of medium-term debentures and bonds		**(11,400)**	(27,000)
Transaction costs on issuance of short-term debentures and notes		**(9,000)**	(9,000)
Repayment of lease liabilities		**(78,571)**	(18,093)
Interest expense paid		**(3,206,742)**	(3,558,565)
Repayment of bank borrowings		**(34,901,012)**	(24,275,087)
Repayment of short-term debentures and bonds		**(3,000,000)**	(1,500,000)
Repayment of medium-term debentures and bonds		**(6,401,045)**	(3,600,214)
Repayment of guaranteed notes		**(1,436,432)**	(2,032,839)
Contribution from non-controlling interests		**1,078,868**	395,210
Dividends paid		**(4,368,578)**	(9,023,408)
NET CASH USED IN FINANCING ACTIVITIES		**(199,576)**	(12,790,446)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,314,213**	(21,941,142)
Effect of changes in foreign exchange rates		**22,367**	98,402
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**27,384,542**	49,227,282
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash		**31,721,122**	27,384,542

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, and the principal activities of its subsidiaries (together with the Company, referred to as the "Group") are set out in note 55.

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 Special Administrative Region of the PRC ("Hong Kong"). The functional currency of subsidiaries established in Republic of Indonesia ("Indonesia"), Republic of Singapore and the Republic of Guinea is 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 following new and 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 2023.

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

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

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

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3.

Impact on application of Amendments to IAS 8 – Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

There was no impact on the consolidated statement of financial position because the related deferred tax balances qualify for offsetting under IAS 12. There was no impact on the opening retained earnings as at 1 January 2022.

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

Impact on application of Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform. The amendments introduce (i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (ii) targeted disclosure requirements for affected entities.

The Group has applied the mandatory temporary exception from recognition and disclosure of information about deferred taxes related to Pillar Two income taxes immediately and retrospectively. Additional disclosures are provided in note 10.

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:

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 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of Exchangeability[2]

[1] Effective for annual periods beginning on or after 1 January 2024.
[2] Effective for annual periods beginning on or after 1 January 2025.
[3] Effective for annual periods beginning on or after a date to be determined.

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.

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

Amendments to IFRSs issued but not yet effective (Continued)

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of Amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to IFRS 10 and IAS 28 will not have a material impact on the Group's consolidated financial statements.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current; Amendments to IAS 1 –Non-current Liabilities with Covenants

Amendments to IAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the "2020 Amendments") clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

Amendments to IAS 1 Non-current Liabilities with Covenants issued in 2022 (the "2022 Amendments") further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the amendments will not result in change in the classification of the Group's liabilities.

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

Amendments to IFRSs issued but not yet effective (Continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Amendments to IAS 21 Lack of Exchangeability

The amendments specify how to assess whether a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments 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 at the measurement date 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 material accounting policies are set out below.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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 Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Assets acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations

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

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

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 bargain purchase gain.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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 initially measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 and adjusted thereafter to recognise 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 includes 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 interest 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.

The requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, 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. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Interests in associates (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

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

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

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. In applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Revenue from contracts with customers

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

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 to which the Group expects to be entitled 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.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Revenue from contracts with customers (Continued)

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 steam consumption derived from meter readings.

Leasing

Definition of a lease

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 from the commencement date and do not contain a purchase option) 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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.

The Group as lessor

The Group enters into lease agreements as a lessor with respect of its investment properties. 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

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

Government grants

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

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

Government grants related to income 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

Payments to defined contribution plans, 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation

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

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

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

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

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

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

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

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 and the Group intends to settle current tax liabilities and assets on a net basis.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

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 other than construction in progress 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

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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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.

If an item of property, plant and equipment and right-of-use assets become 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.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment.

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.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Intangible assets (Continued)

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.

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 reported at cost less accumulated amortisation and accumulated impairment losses, 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 acquired in business combination 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 of inventories represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

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 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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, 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. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated 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.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income and gains' line item in profit or loss.

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 46.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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;
- 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;
- 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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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 30 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 debtor 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 fulfil 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).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (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

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, e.g. when the counterparty has been placed under liquidation. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of 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.

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

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

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "changes in fair values of financial instruments" line item 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Financial instruments (Continued)

Convertible bonds

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

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

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

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Fair value measurement

When measuring fair value except for net realisable value of inventories and value in use of assets 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

As disclosed in notes 16 and 17, there are properties and land use rights located in the PRC of which the Group is in the process of obtaining the ownership certificate. 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 there is no legal barrier or otherwise for the Group to obtain such title ownership certificates 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 55 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") is a subsidiary of the Group even though the Group has only 21.72% (2022: 26.64%) ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange. The remaining 78.28% (2022: 73.36%) of the ownership interests were held by numerous shareholders that were 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 on certain of its PRC subsidiaries' distributable profits generated 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 2023, the amount provided for withholding tax was approximately RMB270,488,000 (2022: RMB358,097,000). Further details are given in note 41 to the consolidated financial statements.

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

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.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the 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. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 were approximately RMB730,724,000 (2022: RMB689,066,000). The amount of unrecognised tax losses at 31 December 2023 was approximately RMB2,232,501,000 (2022: RMB1,903,813,000). Further details are contained in note 41.

Estimated impairment 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 RMB70,200,235,000 (2022: RMB68,060,299,000), net of accumulated impairment of property, plant and equipment of approximately RMB4,492,858,000 (2022: RMB3,687,696,000) and identify if there is indication that those assets may 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, depreciation rate 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 the relevant assets and with reference to fair values less costs of disposal of certain property, plant and equipment assessed by independent valuer, impairment loss on property, plant and equipment of approximately RMB805,162,000 (2022: RMB224,838,000) was recognised for the year ended 31 December 2023.

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 2023 are RMB70,200,235,000 (2022: RMB68,060,299,000).

4. 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 the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking information are considered. 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 2023, the carrying amount of trade receivables was approximately RMB5,488,751,000 (2022: RMB4,610,695,000), net of allowance for impairment loss of approximately RMB7,339,000 (2022: RMB6,719,000).

Impairment assessment of interests in associates

The carrying amount of the interests in associates 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 2023, the carrying amount of interests in associates, excluding the loans to associates, was RMB6,565,758,000 (2022: RMB8,485,882,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2023 and 2022.

Impairment assessment of loans to associates

The impairment assessment of loans to associates 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 would result in significant change in carrying amount of the loans to associates. As at 31 December 2023, the carrying amount of loans to associates amounted to RMB6,468,674,000 (2022: RMB3,810,796,000), of which RMB4,468,674,000 (2022: RMB1,810,796,000) is included in interests in associates. No impairment loss has been recognised in profit or loss during the years ended 31 December 2023 and 2022.

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

Key sources of estimation uncertainty (Continued)

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 2023, the carrying amount of inventories was approximately RMB33,958,455,000 (2022: RMB37,267,620,000), after netting off of accumulated allowance of inventories of approximately RMB96,099,000 (2022: RMB121,965,000).

Fair value of derivative 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 fair value of derivative component of convertible bonds of approximately RMB521,919,000 (2022: RMB457,010,000) as at 31 December 2023 are set out in note 40.

Fair value of financial assets measured at FVTPL and FVTOCI

The management of the Group use their judgements in selecting appropriate valuation techniques for financial instruments not quoted in an active market. The estimation of fair value of unlisted equity instruments includes some assumptions not supported by observable market prices or rates. As at 31 December 2023, the carrying amount of the unlisted equity instruments classified as FVTOCI was approximately RMB94,412,000 (2022: RMB100,000,000). As at 31 December 2023, the carrying amount of the limited partnerships classified as financial assets at FVTPL was approximately RMB11,725,159,000 (2022: nil). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

5. REVENUE

An analysis of the Group's revenue were recognised at a point in time as follows:

	2023 RMB'000	2022 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**83,750,044**	85,833,912
– aluminum alloy ingots	**10,890,825**	10,393,059
– aluminum fabrication	**11,500,388**	13,302,321
– alumina	**26,557,457**	21,404,782
Steam supply income	**924,918**	765,353
	133,623,632	131,699,427

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

	2023 RMB'000	2022 RMB'000
Geographical region		
The PRC	**126,397,054**	123,249,928
India	**2,412,216**	1,119,007
Europe	**2,255,909**	3,133,262
Malaysia	**421,062**	256,487
Other Southeast Asia region	**1,295,061**	1,483,309
North America	**596,995**	1,863,564
Others	**245,335**	593,870
Total	**133,623,632**	131,699,427
Type of customers		
Government related	**289**	274
Non-government related	**133,623,343**	131,699,153
Total	**133,623,632**	131,699,427
Sales channels		
Direct sales	**133,623,632**	131,699,427

Transaction price allocated to the remaining performance obligation for contracts with customers

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each year, thus the Group applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

6. SEGMENT INFORMATION

For management purposes, the Group operates only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in the PRC (including Hong Kong) and Indonesia. Management monitors the operating results of its business unit as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical 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	
	2023	2022
	RMB'000	RMB'000
PRC	**85,721,885**	82,565,449
Indonesia	**6,592,677**	6,961,867
	92,314,562	89,527,316

Note: Non-current assets excluded financial instruments 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:

	2023	2022
	RMB'000	RMB'000
Customer A	**45,121,545**	50,042,829

7. OTHER INCOME AND GAINS

	2023 RMB'000	2022 RMB'000
Bank interest income	**307,644**	193,141
Other interest income	**216,382**	208,420
Investment income	**153,673**	142,846
Interest income from loans to associates (note 51)	**345,792**	156,614
Gain from sales of raw materials and scraps materials	**1,071,479**	1,351,888
Gain from sales of slag of carbon anode blocks	**1,361,216**	1,640,424
Reversal of write-down of inventories(note 25)	**8,195**	20,417
Reversal of impairment of other receivables (note 28)	**3,603**	–
Reversal of impairment of trade receivables (note 26)	**–**	1,223
Amortisation of deferred income (note 42)	**44,898**	47,910
Rental income for investment properties under operating lease that lease payments are fixed	**600**	600
Gain on disposal of an associate (note 20(b))	**21,053**	–
Gain on disposal of property, plant and equipment	**69,939**	22,783
Gain on bargain purchase (note 47)	**–**	20,522
Others	**108,564**	122,145
	3,713,038	3,928,933

8. OTHER EXPENSES

	2023 RMB'000	2022 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note 16)	**805,162**	224,838
Impairment loss recognised in respect of right-of-use assets (note 17)	**13,235**	–
Impairment loss recognised in respect of other receivables (note 28)	**–**	82
Impairment loss recognised in respect of trade receivables (note 26)	**620**	–
Write-down of inventories (note 25)	**126,282**	104,127
	945,299	329,047

9. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest expenses on bank borrowings	**2,484,126**	2,174,962
Interest expenses on short-term debentures and notes	**222,182**	73,311
Interest expenses on medium-term debentures and bonds	**679,762**	568,952
Interest expenses on guaranteed notes	**229,095**	386,610
Interest expenses on convertible bonds (note 40)	**182,338**	227,377
Interest expenses on other financial liability	**2,595**	–
Interest expenses on lease liabilities (note 17(iii))	**30,955**	2,833
Total interest expense for financial liabilities not measured at FVTPL	**3,831,053**	3,434,045
Less: amounts capitalised in the cost of qualifying assets	**(563,115)**	(414,501)
	3,267,938	3,019,544

10. INCOME TAX EXPENSES

	2023 RMB'000	2022 RMB'000
Current tax:		
– PRC Enterprise Income Tax	**3,715,079**	2,879,599
– Indonesia Corporate Income Tax	**202,718**	162,180
– Withholding tax	**19,832**	47,018
	3,937,629	3,088,797
Deferred taxation (note 41)	**(544,917)**	(291,214)
Total income tax expenses for the year	**3,392,712**	2,797,583

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 2022 and 2021, certain PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" or enjoyed the tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2022: 15%).

Under the Law on the Harmonization of Tax Regulations of 2021, the Group's subsidiary in Indonesia is subject to corporate income tax at 22% for both years.

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2023 and 2022 as there were no assessable profits generated during the year.

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

10. INCOME TAX EXPENSES (Continued)

Pillar Two Income Taxes

The Group has applied the temporary exception from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Under the prevailing EIT 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 rate 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.

Indonesia withholding income tax of 10% was levied on the Indonesia subsidiary when dividend was paid out from its profits to shareholders. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

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:

	2023 **RMB'000**	2022 RMB'000
Profit before taxation	**15,890,464**	12,606,558
Tax at the domestic income tax rate of 25% (note i)	**3,972,616**	3,151,640
Tax effect of income not taxable for tax purpose	**(39,222)**	(58,792)
Tax effect of expenses not deductible for tax purpose	**208,595**	406,250
Tax effect of tax losses not recognised	**180,329**	141,629
Utilisation of tax losses previously not recognised	**(108,905)**	(109,396)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(13,543)**	(12,586)
Effect of income tax on concessionary rate	**(189,475)**	(167,271)
Withholding tax	**19,832**	47,018
Tax effect of share of profits of associates	**(298,315)**	(125,834)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries (note 41)	**(87,609)**	(231,620)
Tax effect of super deduction from research and development expenses (note ii)	**(251,591)**	(243,455)
Income tax expenses for the year	**3,392,712**	2,797,583

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

Note ii: An additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax laws and its relevant regulations.

Details of the deferred taxation are set out in note 41.

11. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 12)	**8,097**	7,738
Salaries and allowances (excluding directors' and chief executive's emoluments)	**4,623,370**	4,184,188
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**403,625**	936,043
Total staff costs	**5,035,092**	5,127,969
Auditor's remuneration	**4,200**	4,200
Amortisation of intangible assets	**6,945**	6,118
Cost of inventories recognised as an expense	**112,669,035**	112,452,437
Depreciation of property, plant and equipment	**6,950,068**	6,762,988
Depreciation of investment properties	**2,887**	3,067
Depreciation of right-of-use assets	**226,135**	178,886
Foreign exchange loss, net	**223,678**	889,485
Research and development expenses (note)	**1,006,363**	986,162
Gross rental income from investment properties	**600**	600
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**–**	–
	600	600

Note: Included in research and development expenses was staff cost of approximately RMB282,756,000 (2022: RMB256,300,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 14 (2022: 13) directors and the chief executive were as follows:

	Executive directors				Non-executive directors					Independent non-executive directors					
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Tu Yikai[1] (Zhang Hao as his alternative) RMB'000	Liu Xiaojun[2] (Zhang Hao as his alternative) RMB'000	Sun Dongdong RMB'000	Xing Jian[4] RMB'000	Han Benwen RMB'000	Fu Yulin[3] RMB'000	Dong Xinyi RMB'000	Wen Xianjun RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2023															
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	500	600	-	-	300	300	55	150	126	200	200	4,231
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings															
Other emoluments															
– Salaries, bonus and allowances	78	187	117	3,094	158	-	-	-	130	-	-	-	-	-	3,764
– Retirement benefit scheme contributions	-	20	15	32	20	-	-	-	15	-	-	-	-	-	102
	578	1,007	632	3,626	778	-	-	300	445	55	150	126	200	200	8,097

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

	Executive directors				Non-executive directors					Independent non-executive directors				
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Li Zimin[5] (Zhang Hao as his alternative) RMB'000	Liu Xiaojun[2] (Zhang Hao as his alternative) RMB'000	Sun Dongdong RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Wen Xianjun RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2022														
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	500	600	–	300	–	300	150	150	200	200	4,200
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings														
Other emoluments														
– Salaries, bonus and allowances	66	177	119	2,799	155	–	–	–	131	–	–	–	–	3,447
– Retirement benefit scheme contributions	–	15	15	31	15	–	–	–	15	–	–	–	–	91
	566	992	634	3,330	770	–	300	–	446	150	150	200	200	7,738

1. Appointed on 28 December 2023.
2. Appointed on 29 December 2022 and resigned on 28 December 2023.
3. Appointed on 16 May 2023.
4. Retired on 16 May 2023.
5. Resigned on 29 December 2022.

During the years ended 31 December 2023 and 2022, except for one non-executive director waived emoluments of RMB300,000, none of the chief executive nor other directors waived any emoluments.

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

The performance related bonus is determined by the Group having regard to the director's performance and the prevailing market conditions.

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

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

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2023 and 2022.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one was director of the Company (2022: 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 four (2022: three) individuals were as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other benefits	**10,401**	5,035
Retirement benefits scheme contributions	**222**	63
	10,623	5,098

Their emoluments were within the following bands:

	No. of employee	
	2023	2022
Nil to HK$1,000,000 (nil to approximately RMB906,000)	**–**	1
HK$1,000,001 to HK$1,500,000 (approximately RMB906,001 to RMB1,359,000)	**–**	1
HK$2,000,001 to HK$2,500,000 (approximately RMB1,812,001 to RMB2,266,000)	**2**	–
HK$3,000,001 to HK$3,500,000 (approximately RMB2,719,001 to RMB3,172,000)	**1**	1
HK$3,500,001 to HK$4,000,000 (approximately RMB3,172,001 to RMB3,625,000)	**1**	–
	4	3

14. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Dividends recognised as distribution during the year:		
2023 Interim dividend – HK12 cents		
(2022: 2022 interim dividend HK41 cents) per share	**1,028,382**	3,513,331
2023 Interim special dividend – HK22 cents (2022: nil) per share	**1,885,366**	–
2022 Final dividend – HK10 cents		
(2022: 2021 final dividend HK60 cents) per share	**872,364**	4,712,320
	3,786,112	8,225,651

Subsequent to the end of the reporting period, a final dividend of HK29 cents per share in respect of the year ended 31 December 2023, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

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:

	2023 RMB'000	2022 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**11,460,678**	8,701,953
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**182,338**	–
Changes in fair values of derivative component of convertible bonds	**49,044**	–
Exchange loss on translation of convertible bonds	**21,380**	–
Earnings for the purpose of diluted earnings per share	**11,713,440**	8,701,953

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**9,475,538**	9,299,172
Effect of dilutive potential ordinary shares:		
Convertible bonds	**325,169**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,800,707**	9,299,172

The computation of diluted earnings per share for the year ended 31 December 2022 did not assume the conversion of the Company outstanding convertible bonds since their exercise would result in an increase in earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Aircraft RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	40,745,265	61,239,891	97,775	92,489	353,793	8,358,348	110,887,561
Additions	1,341,101	339,980	25,531	20,802	–	8,322,205	10,049,619
Acquired on acquisition from subsidiaries (note 47)	234,250	945,782	–	–	–	–	1,180,032
Transfer	5,191,713	4,318,774	–	–	–	(9,510,487)	–
Transfer to investment properties (note 19)	(40,305)	–	–	–	–	–	(40,305)
Disposals	(110,938)	(1,193,686)	–	–	–	–	(1,304,624)
Exchange realignment	438,598	167,283	2,088	919	2,838	–	611,726
At 31 December 2022 and 1 January 2023	47,799,684	65,818,024	125,394	114,210	356,631	7,170,066	121,384,009
Additions	18,941	115,967	6,023	39,731	–	5,789,967	5,970,629
Transfer	2,206,567	2,842,196	–	–	–	(5,048,763)	–
Acquired on acquisition from a subsidiary (note 47)	1,542,395	1,452,308	858	1,215	–	1,108,105	4,104,881
Disposals	(299,769)	(2,349,975)	(2,698)	(18,420)	–	–	(2,670,862)
Exchange realignment	126,237	53,372	559	237	877	–	181,282
At 31 December 2023	51,394,055	67,931,892	130,136	136,973	357,508	9,019,375	128,969,939
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	13,462,033	33,422,017	84,223	47,195	3,882	426,266	47,445,616
Provided for the year	2,048,208	4,668,852	11,947	8,673	25,308	–	6,762,988
Impairment loss recognised in profit or loss	126,886	97,952	–	–	–	–	224,838
Eliminated on disposals	(92,836)	(1,183,880)	–	–	–	–	(1,276,716)
Exchange realignment	108,989	55,492	1,607	753	143	–	166,984
At 31 December 2022 and 1 January 2023	15,653,280	37,060,433	97,777	56,621	29,333	426,266	53,323,710
Provided for the year	2,102,325	4,774,221	12,587	35,625	25,310	–	6,950,068
Impairment loss recognised in profit or loss	302,537	285,273	–	–	–	217,352	805,162
Eliminated on disposals	(32,790)	(2,319,887)	–	(4,218)	–	–	(2,356,895)
Exchange realignment	30,925	16,016	434	196	88	–	47,659
At 31 December 2023	18,056,277	39,816,056	110,798	88,224	54,731	643,618	58,769,704
CARRYING VALUES							
At 31 December 2023	33,337,778	28,115,836	19,338	48,749	302,777	8,375,757	70,200,235
At 31 December 2022	32,146,404	28,757,591	27,617	57,589	327,298	6,743,800	68,060,299

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
Aircraft	15 years

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

At 31 December 2023, certain of the Group's buildings with a net carrying amount of approximately RMB10,523,030,000 (2022: RMB12,069,053,000) were pledged to secure bank borrowings of the Group (note 49).

There are properties with a carrying amount of approximately RMB5,900,290,000 (2022: RMB6,121,762,000) 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.

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. The carrying values of these individual plants were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparison approach is used to measure the fair value less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering expected earning period.

During the year ended 31 December 2023, the directors of the Company conducted a review and determine that certain power plants, construction in progress and right-of-use assets were impaired. The recoverable amounts of relevant property, plant and equipment and right of use assets were approximately their value in use and fair value less costs of disposal and the impairment of approximately RMB818,397,000 (2022: RMB224,838,000) had been recognised in profit or loss.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

No reversal of impairment of property, plant and equipment was recognised during the years ended 31 December 2023 and 2022.

The valuations carried out on 31 December 2023 and 2022 were 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 property, plant and equipment in the relevant industries.

The fair value measurement of the property, plant and equipment is categorised within level 3 of the fair value hierarchy. There were no transfers between levels of fair value hierarchy during the year.

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 2022	6,209,150	103,312	20,190	6,332,652
Additions	1,966,081	1,854	22,469	1,990,404
Acquired on acquisition of subsidiaries (note 47)	140,479	–	–	140,479
Exchange realignment	2,360	–	(66)	2,294
At 31 December 2022 and 1 January 2023	8,318,070	105,166	42,593	8,465,829
Additions	2,157,807	16,023	–	2,173,830
Acquired on acquisition from a subsidiary (note 47)	67,475	–	–	67,475
Exchange realignment	568	15	329	912
At 31 December 2023	10,543,920	121,204	42,922	10,708,046
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 January 2022	550,075	44,022	20,190	614,287
Depreciation for the year	159,835	11,561	7,490	178,886
Exchange realignment	–	–	(22)	(22)
At 31 December 2022 and 1 January 2023	709,910	55,583	27,658	793,151
Depreciation for the year	205,099	13,486	7,550	226,135
Impairment loss recognised in profit or loss	13,235	–	–	13,235
Exchange realignment	–	3	82	85
At 31 December 2023	928,244	69,072	35,290	1,032,606
CARRYING VALUES				
At 31 December 2023	9,615,676	52,132	7,632	9,675,440
At 31 December 2022	7,608,160	49,583	14,935	7,672,678

As at 31 December 2023, right-of-use assets of RMB9,615,676,000 (2022: RMB7,608,160,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years.

As at 31 December 2023, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB572,399,000 (2022: RMB1,300,343,000). 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 (2022: ranged from 2 to 20 years).

17. LEASES (Continued)

(i) Right-of-use assets (Continued)

During the year ended 31 December 2023, the Group entered into a number of new lease agreements for offices premises and land use rights and recognised right-of-use assets of approximately RMB2,173,830,000 (2022: a new lease agreement in respect of office premises and a vessels of approximately RMB24,323,000) of which RMB764,798,000 (2022: RMB102,560,000) was leased from a related party.

At 31 December 2023, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB544,629,000 (2022: RMB556,345,000) were pledged to secure bank borrowings of the Group (note 49).

(ii) Lease liabilities

	2023 **RMB'000**	2022 RMB'000
Non-current	**916,706**	51,755
Current	**37,952**	16,161
	954,658	67,916

Amounts payable under lease liabilities

	2023 **RMB'000**	2022 RMB'000
Within one year	**37,952**	16,161
After one year but within two years	**26,927**	12,800
After two years but within five years	**79,712**	5,997
After five years	**810,067**	32,958
	954,658	67,916
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(37,952)**	(16,161)
Amount due for settlement after 12 months	**916,706**	51,755

During the year ended 31 December 2023, the Group entered into new lease agreements in respect of offices premises and land use right and recognised lease liabilities of approximately RMB964,951,000 (2022: a new lease agreement in respect of office premises and a vessels of approximately RMB24,323,000).

(iii) Amounts recongised in profit or loss

	Year ended	
	31 December 2023 **RMB'000**	31 December 2022 RMB'000
Interest expense on lease liabilities	**30,955**	2,833

17. LEASES (Continued)

(iv) Others

During the year ended 31 December 2023, the total cash outflow for leases amounted to approximately RMB109,526,000 (2022: RMB20,926,000).

Restrictions or covenants on leases

As at 31 December 2023, lease liabilities of RMB954,658,000 are recognised with related right-of-use assets of RMB989,462,000, (2022: lease liabilities of RMB67,916,000 and related right-of-use assets of RMB64,518,000). The lease agreements do not impose any covenants and restriction.

18. INTANGIBLE ASSETS

	Patents RMB'000
COST	
At 1 January 2022	50,534
Additions	7,814
At 31 December 2022 and 1 January 2023	58,348
Additions	15,561
At 31 December 2023	73,909
ACCUMULATED AMORTISATION	
At 1 January 2022	17,939
Provided for the year	6,118
At 31 December 2022 and 1 January 2023	24,057
Provided for the year	6,945
At 31 December 2023	31,002
CARRYING VALUES	
At 31 December 2023	42,907
At 31 December 2022	34,291

Above patents were acquired from third parties or 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.

19. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2022	**4,188**
Transfer from property plant and equipment (note 16)	**40,305**
At 31 December 2022, 1 January 2023 and 31 December 2023	**44,493**
ACCUMULATED DEPRECIATION	
At 1 January 2022	**380**
Provided for the year	**3,067**
At 31 December 2022 and 1 January 2023	**3,447**
Provided for the year	**2,887**
At 31 December 2023	**6,334**
CARRYING VALUES	
At 31 December 2023	**38,159**
At 31 December 2022	**41,046**

During the year ended 31 December 2022, the Group transferred a property with carrying amount of approximately RMB40,305,000 (2023: nil) from property, plant and equipment to investment property 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 2023 was approximately RMB43,060,000 (2022: RMB51,509,000). The fair value has been arrived at with reference to a valuation carried out by ZhongJing Minxin (Beijing) Assets Appraisal Co., Ltd. and Wanlong, an independent qualified professional valuer, not connected to the Group. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The above investment properties are depreciated on a straight-line basis over the terms of the lease of 20 years.

The fair value hierarchy as at 31 December 2023 and 2022 of the investment properties of the Group were at Level 3. There were no transfers between levels of fair value hierarchy during the year.

19. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties as at 31 December 2023 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2023 RMB	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Investment property A	Level 3	RMB6,780,000 (2022: RMB6,950,000)	Income approach – by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value
Investment property B	Level 3	RMB36,280,000 (2022: RMB38,737,000)	Income approach – by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value

20. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Costs of investments in associates	**6,028,733**	5,754,374
Share of profits and other comprehensive income, net of dividends received	**537,025**	2,731,508
	6,565,758	8,485,882
Loans to associates	**4,468,674**	1,810,796
	11,034,432	10,296,678

As at 31 December 2022, the loan to an associate of US$110,000,000, equivalent to approximately RMB766,106,000, is unsecured, interest-free and no fixed term for repayment. During the year ended 31 December 2023, the Group renewed the terms of the loan to an associate with principal amount of USD380,920,000 in aggregate, equivalent to approximately RMB2,697,999,000, carried interest at Secured Overnight Financing Rate ("SOFR") + 3% per annum and no fixed term for repayment.

The remaining loans to associates of US$250,000,000, equivalent to approximately RMB1,770,675,000 (2022: US$150,000,000, equivalent to approximately RMB1,044,690,000) is unsecured, interest bearing at SOFR + 5% per annum and no fixed term for repayment.

20. INTERESTS IN ASSOCIATES (Continued)

During the year ended 31 December 2023, the Group established Weiqiao Guoke Zhixing (Shandong) Equipment Technology Co., Ltd. ("Weiqiao Guoke") * 魏橋國科智行(山東)裝備科技有限公司 and contributed an amount of approximately RMB672,000,000 which represents an equity interest of 33.3%. The Group subsequently disposed the associate for a consideration of RMB678,990,000 to a limited partnership which the Group invested due to change of investment strategy and resulting a gain on disposal of RMB21,053,000. In addition, the Group made contributions to various associates with an aggregate amount of approximately RMB152,609,000 (2022: RMB2,370,021,000).

As at 31 December 2023 and 2022, 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
					2023	2022	**2023**	2022	
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
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
Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy Ener") 鄒平濱能能源科技有限公司	Incorporated	PRC	PRC	Ordinary	**37.5% (note i)**	45%	**37.5% (note i)**	45%	Trading of electricity
Lightweight (Shandong) Investment Partnership (Limited Partnership)* ("Lightweight Partnership") 輕量化(山東)投資合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	**49.5%**	49.5%	**49.5%**	49.5%	Investment holding
Beijing Honghua Science and Technology Innovation No. 1 Enterprise Management Partnership (Limited Partnership)* (Beijing Honghua Partnership) 北京宏華科創一號企業管理合夥企業(有限合夥)(note ii)	Incorporated	PRC	PRC	Ordinary	**46.7%**	46.7%	**46.7%**	46.7%	Investment holding

Note:

i. During the year ended 31 December 2023, the Group's equity interest in an associate, Binneng Energy, was diluted from 45% to 37.5% due to the capital injections by the new equity holders of the associate.

ii. During the year ended 31 December 2023, the Group received a capital refund of approximately RMB550,250,000 from this associate.

* The English translation is for reference only.

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

	2023 RMB'000	2022 RMB'000
Current assets	**10,950,481**	11,291,743
Non-current assets	**492**	562
Current liabilities	**(2,052,094)**	(2,103,461)
Non-current liabilities	**(8,188,415)**	(766,106)
Revenue	**15,751,187**	8,626,720
Profit for the year	**3,593,184**	1,747,531
Other comprehensive income for the year	**70,008**	643,257
Total comprehensive income for the year	**3,663,192**	2,390,788
Dividends received from the associate during the year	**(2,843,867)**	–
Elimination of unrealised profits	**(64,409)**	(42,377)

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

	2023 RMB'000	2022 RMB'000
Net assets of the associate	**710,464**	8,422,738
Proportion of the Group's ownership interest in ABM	**25%**	25%
Carrying amount of the Group's interest in ABM	**177,616**	2,105,685

Binneng Energy

	2023 RMB'000	2022 RMB'000
Non-current assets	**11,724,817**	11,316,655
Current assets (note)	**14,394,972**	10,562,414
Non-current liabilities	**(5,957,650)**	(7,259,575)
Current liabilities	**(6,325,643)**	(3,808,131)
Revenue	**14,343,389**	14,997,738
Profit for the year and total comprehensive income for the year	**862,861**	114,791
Elimination of unrealised profits	**(18,418)**	–

20. INTERESTS IN ASSOCIATES (Continued)

Binneng Energy (Continued)

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

	2023 **RMB'000**	2022 RMB'000
Net assets of the associate	**13,836,496**	10,811,363
Proportion of the Group's ownership interest in Binneng Energy	**37.5%**	45%
Carrying amount of the Group's interest in Binneng Energy	**5,188,686**	4,865,113

Note: As at 31 December 2022, the balances mainly comprised of receivable of unpaid registered capital by another shareholder amounting to RMB2,750,000,000. The entire amount of receivable has been settled in February and March 2023.

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:

	2023 **RMB'000**	2022 RMB'000
The Group's share of profit	**62,745**	61,813
The Group's share of other comprehensive expense	**5,205**	17,106
The Group's share of total comprehensive income	**67,950**	78,919
Elimination of realised profits	**(8,528)**	(4,640)

	2023 **RMB'000**	2022 RMB'000
Carrying amount of the Group's interests in immaterial associates	**1,199,456**	1,515,084

21. LOAN TO AN ASSOCIATE

	2023 RMB'000	2022 RMB'000
Non-current portion		
Loan to an associate	**2,000,000**	2,000,000

The loan to an associate was secured by certain plant and equipment held by the respective associate, bearing interest at 6% (2022: 6%) per annum and repayable in June 2025.

22. GOODWILL

	2023 RMB'000	2022 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
IMPAIRMENT		
At beginning and the end of the financial year	**1,656,233**	1,656,233
CARRYING AMOUNT		
At 31 December	**278,224**	278,224

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

Impairment test on goodwill

For the purposes of impairment testing, the carrying amount of goodwill has been allocated to the following CGUs:

	2023 RMB'000	2022 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Binzhou Municipal Xinhe New Material Co., Ltd* ("Beihai Xinhe") 濱州市北海信和新材料有限公司)	**–**	–
Manufacture and selling of aluminum products in Binzhou, the PRC (Binzhou Hongnuo New Material Co., Ltd* ("Binzhou Hongnuo New Material") 濱州市宏諾新材料有限公司)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**197,806**	197,806
	278,224	278,224

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

* The English translation is for reference only.

22. GOODWILL (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Binzhou Hongnuo New Material

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 5-year period, and a pre-tax discount rate of 21.33% (2022: 20.94%). Binzhou Hongnuo New Material's cash flows beyond the 5-year period are extrapolated using a 3% 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.

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 Binzhou Hongnuo New Material to exceed the aggregate recoverable amount of Binzhou Hongnuo New Material.

During the years ended 31 December 2023 and 2022, no impairment loss recognised in relation to goodwill arising on acquisition of Binzhou Hongnuo New Material.

Hongchuang

The recoverable amount of this CGU has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang and relevant transaction costs.

The fair value hierarchy as at 31 December 2023 and 2022 of Hongchuang are at Level 1. There were no transfers between levels of fair value hierarchy during the year.

During the years ended 31 December 2023 and 2022, no impairment loss was recongised in relation to goodwill arising on acquisition of Hongchuang.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

	2023 RMB'000	2022 RMB'000
Equity instruments as at FVTOCI		
– Listed	**1,306,966**	1,442,588
– Unlisted	**94,412**	100,000
	1,401,378	1,542,588

The fair values of these investments are disclosed in note 46(g).

The investments in listed equity securities are as follows:

Name of listed equity securities	Place of listing	Fair value	
		2023 RMB'000	2022 RMB'000
Weihai City Commercial Bank Co., Ltd	Hong Kong	**708,065**	761,672
Bank of Jinzhou	Hong Kong	**169,593**	166,243
Innovation New Material Technology Co., Ltd.	Shanghai	**218,459**	264,244
Thunder Software Technology Co., Ltd.	Shenzhen	**209,866**	249,446
Others	Hong Kong	**983**	983
		1,306,966	1,442,588

During the year ended 31 December 2022, the Group acquired equity interest in a private entity established in the PRC of approximately RMB100,000,000 (2023: nil). The private entity is engaged in development and application of semiconductor materials.

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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	2023 **RMB'000**	2022 RMB'000
Financial assets at FVTPL		
– Limited partnerships	**11,725,159**	–

The fair values of these investments are disclosed in note 46(g).

The directors of the Company consider that the Group does not have any control nor significant influence to affect the variable returns through its investment in those enterprises or similar activities.

25. INVENTORIES

	2023 **RMB'000**	2022 RMB'000
Raw materials	**22,371,825**	25,599,366
Work in progress	**9,321,631**	10,266,517
Finished goods	**2,264,999**	1,401,737
	33,958,455	37,267,620

During the year ended 31 December 2023, write-down of inventories of approximately RMB126,282,000 (2022: RMB104,127,000) has been recognised and included in other expenses and reversal of provision of approximately RMB8,195,000 (2022: RMB20,417,000) has been recognised and included in other income and gains due to increase of net realisable value of certain inventories in subsequent period.

During the year ended 31 December 2023, inventories previously impaired were sold or used. As a result, a reversal of provision of approximately RMB143,953,000 (2022: RMB179,625,000) has been recognised and included in cost of sales.

26. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**5,496,090**	4,617,414
Less: allowance for impairment losses	**(7,339)**	(6,719)
	5,488,751	4,610,695

As at 1 January 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB7,292,695,000.

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, net of allowance for impairment of trade receivables presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Within 3 months	**4,883,108**	4,009,740
3 to 12 months	**601,815**	597,180
12 to 24 months	**3,828**	3,775
	5,488,751	4,610,695

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant. As at 31 December 2023, lifetime ECL of approximately RMB7,339,000 (2022: RMB6,719,000) was made in respect of trade receivables with gross amount of RMB7,339,000 (2022: RMB6,719,000) as they are determined to be credit-impaired which aged over 3 years. For the remaining balance of approximately RMB5,488,751,000 (2022: RMB4,610,695,000), 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.

26. TRADE RECEIVABLES (Continued)

The provision matrix of trade receivables is set out below:

For the year ended 31 December 2023

	Trade receivables days past due						
	Current	**1-3 months past due**	**3-12 months past due**	**12-24 months past due**	**24-36 months past due**	**More than 36 months past due**	**Total**
ECL rate	**0%**	**0.024%**	**0.134%**	**0.219%**	**100%**	**100%**	
Gross carrying amount (RMB'000)	**5,277,980**	**134,324**	**72,619**	**3,828**	**620**	**6,719**	**5,496,090**
Lifetime ECL (RMB'000)	**–**	**–**	**–**	**–**	**(620)**	**(6,719)**	**(7,339)**
Net amount (RMB'000)	**5,277,980**	**134,324**	**72,619**	**3,828**	**–**	**–**	**5,488,751**

For the year ended 31 December 2022

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	0%	0.001%	0.001%	0.011%	20.045%	100%	
Gross carrying amount (RMB'000)	4,495,349	105,083	6,488	3,775	–	6,719	4,617,414
Lifetime ECL (RMB'000)	–	–	–	–	–	(6,719)	(6,719)
Net amount (RMB'000)	4,495,349	105,083	6,488	3,775	–	–	4,610,695

The movement in the allowance for impairment of trade receivables is set out below:

	2023 RMB'000	2022 RMB'000
At 1 January	**6,719**	7,942
Reversal of impairment loss	**–**	(1,223)
Impairment loss recognised	**620**	–
At 31 December	**7,339**	6,719

27. BILLS RECEIVABLES

	2023 **RMB'000**	2022 RMB'000
Bills receivables	**4,977,642**	5,573,175

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

	2023 **RMB'000**	2022 RMB'000
Within 3 months	**3,292,402**	3,465,918
3 to 6 months	**1,684,399**	2,007,257
Over 6 months	**841**	100,000
	4,977,642	5,573,175

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significant difficulties in recovering these bills receivables before their due dates, no loss allowance was provided on the Group's bills receivables for the years ended 31 December 2023 and 2022.

28. PREPAYMENTS AND OTHER RECEIVABLES

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

	2023 RMB'000	2022 RMB'000
Prepayments to suppliers	**4,149,075**	5,649,621
Prepayments to an associate (note (i))	**929,989**	661,035
Value-added tax recoverable	**2,275,719**	2,968,063
Prepayment for capital injection to the partnership (note (ii))	**–**	2,500,000
Receivables arising from dealing with futures	**404,455**	213,591
Factoring receivables (note (iii))	**582,210**	386,147
Interest receivables	**300,507**	68,587
Others	**129,266**	131,537
	8,771,221	12,578,581
Less: allowance for impairment losses	**(23,417)**	(27,020)
	8,747,804	12,551,561
Analysed as		
Current	**8,747,804**	10,051,561
Non-current	**–**	2,500,000
	8,747,804	12,551,561

Notes:

(i) 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.

(ii) As at 31 December 2022, the Group has subscribed Binzhou Wenxian with a consideration of RMB2,500,000,000. The subscription was completed on 29 January 2023 and reclassified to financial assets at FVTPL.

(iii) The factoring receivables will be received within one year and carrying interest rate of 10% per annum.

28. 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 2023

	Gross carrying amount RMB'000	**Loss allowance RMB'000**	**Net carrying amount RMB'000**
Other receivables – Default	**23,116**	**(23,116)**	**–**
Other receivables – Performing	**1,393,322**	**(301)**	**1,393,021**
	1,416,438	**(23,417)**	**1,393,021**

For the year ended 31 December 2022

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	26,441	(26,441)	–
Other receivables – Performing	773,421	(579)	772,842
	799,862	(27,020)	772,842

The movement in the impairment allowance for other receivables during the year are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	**27,020**	26,938
Reversal of impairment loss	**(3,603)**	–
Impairment loss recognised	**–**	82
At 31 December	**23,417**	27,020

29. FINANCIAL ASSET AT AMORTISED COST

	2023 RMB'000	2022 RMB'000
Financial asset at amortised cost		
Collective investment trust A (note i)	–	2,499,000
Collective investment trust B (note ii)	2,494,000	–
	2,494,000	2,499,000

Note i: The collective investment trust A represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. ("CITIC Trust") 中信信託有限責任公司 and will be matured on 3 January 2025. The asset income trust carries fixed interest rate of 5.78% per annum. During the year ended 31 December 2023, CITIC Trust early terminated the collective investment trust A in full at their principal amount together with investment income accumulated to the termination date.

Note ii: The collective investment trust B represents asset income trust with 2,494,000,000 units at RMB1 per unit issued by CITIC Trust and will be matured on 13 January 2028. The asset income trust carries fixed interest rate of 5.78% per annum.

30. OTHER FINANCIAL ASSET

	2023 RMB'000	2022 RMB'000
Other financial asset		
Interest rate swaps contract	–	2,122

Major terms of the interest rate swaps are as follows:

31 December 2022

Notional amount	Maturity	Swaps
US$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US$-LIBOR

* The English translation is for reference only.

31. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2023 **RMB'000**	2022 RMB'000
Cash and bank balances	**31,721,122**	27,384,542
Restricted bank deposits	**1,826,579**	1,720,058
	33,547,701	29,104,600
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,295,834)**	(1,293,305)
– pledged for issuance of letter of credit	**(513,871)**	(349,210)
– pledged for guarantee issued	**(16,874)**	(77,543)
Cash and cash equivalents	**31,721,122**	27,384,542

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 short-term time deposits are deposited with creditworthy banks with no recent history of default.

Bank balances and short-term time deposits carry interest at market rates which ranged from 0.05% to 1.71% (2022: 0.06% to 1.70%) 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 1.76% (2022: 0.06% to 1.75%) per annum.

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 46(d).

32. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2023 RMB'000	2022 RMB'000
Changes in fair values of arising from:		
– interest rate swaps contracts	**–**	2,023
– derivatives component of convertible bonds (note 40)	**(49,044)**	(187,004)
	(49,044)	(184,981)

33. TRADE AND BILLS PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables to third parties	**10,764,251**	10,166,118
Trade payables to associates	**648,596**	2,457,710
Trade payables to related parties	**103,167**	70,003
	11,516,014	12,693,831
Bills payables	**132,262**	2,217,171
	11,648,276	14,911,002

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period;

	2023 RMB'000	2022 RMB'000
Within 6 months	**10,856,474**	11,980,729
6 to 12 months	**400,421**	443,244
1 to 2 years	**229,088**	235,369
More than 2 years	**30,031**	34,489
	11,516,014	12,693,831

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

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

34. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Payables on property, plant and equipment	**4,500,509**	4,738,260
Retention payables	**1,886,383**	2,142,218
Accrued payroll and welfare (note (i))	**972,811**	952,284
Contract liabilities (note (ii))	**1,203,660**	1,757,470
Dividend payables	**6**	11
Interest payable	**547,652**	486,456
Other taxes payables	**921,970**	1,562,547
Others	**570,306**	717,912
	10,603,297	12,357,158

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2023 were accrued directors payroll and welfare of approximately RMB4,532,000 (2022: RMB4,200,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) Contract liabilities include advances received to deliver goods. As at 1 January 2022, contract liabilities amounted to RMB1,767,103,000.

Revenue recongised during the year ended 31 December 2023 that was included in the contract liabilities at the beginning of the year is approximately RMB1,757,470,000 (2022: RMB1,767,103,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior years.

35. BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Current		
Secured bank borrowings (note (iii))	**11,343,001**	7,990,204
Unsecured bank borrowings (note (i))	**19,146,207**	22,543,646
	30,489,208	30,533,850
Non-current		
Secured bank borrowings (note (iii))	**1,194,862**	842,748
Unsecured bank borrowings (note (i))	**7,427,046**	4,151,161
	8,621,908	4,993,909
	39,111,116	35,527,759

35. BANK BORROWINGS (Continued)

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

	2023 RMB'000	2022 RMB'000
Within one year	**30,489,208**	30,533,850
In the second year	**2,219,862**	2,574,570
In the third to fifth years, inclusive	**4,381,137**	940,000
Over fifth years	**2,020,909**	1,479,339
	39,111,116	35,527,759

	2023 RMB'000	2022 RMB'000
Amounts shown under current liabilities	**30,489,208**	30,533,850
Amounts shown under non-current liabilities	**8,621,908**	4,993,909
	39,111,116	35,527,759

	2023 RMB'000	2022 RMB'000
Fixed-rate borrowings	**28,499,674**	25,178,310
Variable-rate borrowings	**10,611,442**	10,349,449
	39,111,116	35,527,759

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

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**4.35% to 7.50%**	1.53% to 5.67%
Variable-rate borrowings	**4.00% to 8.25%**	3.60% to 9.29%

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 SOFR.

35. BANK BORROWINGS (Continued)

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

	2023 **RMB'000**	2022 RMB'000
US$	**998,590**	7,623,820

Notes:

(i) Unsecured bank borrowings of approximately RMB3,600,000,000 (2022: RMB4,689,242,000) are guaranteed by related parties and set out in note 51(c).

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

	2023 **RMB'000**	2022 RMB'000
Floating rate		
– expiring within one year	**31,775,345**	26,998,583

(iii) Secured bank borrowings of the Group are secured by the Group's property, plant and equipment and right-of-use assets which were set out in notes 16 and 17 respectively.

36. OTHER FINANCIAL LIABILITY

On 21 December 2023, Shandong Hongtuo Industrial Company Limited ("Shandong Hongtuo")* 山東宏拓實業有限公司, a subsidiary of the Company, entered into various capital contribution agreements with the investors for the capital contributions (at an aggregate cash consideration of RMB2,962,600,000. Details of the capital contributions are set out in the Company's announcements dated 21 December 2023.

Pursuant to the capital contributions from investors as mentioned above, a redemption right is granted by Company to each investor.

Each investor shall have the right to request Shandong Weiqiao Aluminum & Power Co., Ltd.* ("Shandong Weiqiao") 山東魏橋鋁電有限公司, Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao"), which are the subsidiaries of the Company, or other related parties designated by Shandong Weiqiao other than the Shandong Hongtuo and Shandong Hongqiao (one or more parties, singly or collectively, the "Repurchase Obligor(s)") to repurchase all of their equity interests in Shandong Hongtuo at the redemption price, if any of the triggering events occurs during the redemption period, which commenced from the date of the completion of each capital contribution to or before 31 December 2026.

The key triggering events included:

(i) Shandong Hongtuo fails to conduct an initial public offering and the listing of its securities on the Stock Exchange in the PRC after 36 months of capital contribution, unless such failure was a result of non-cooperation by the Investors or any force majeure events as set out in the capital contributions agreements; and

(ii) Fails to fulfill dividend distribution policy (i.e. 30% of distributable profit) and anti-dilution compensation (i.e. subscription price for new registered capital cannot lower than this capital contributions) as set out in the capital contributions agreements.

* The English translation is for reference only.

36. OTHER FINANCIAL LIABILITY (Continued)

The redemption price was the principal amount plus accrued interest, being 6% per annum calculated from the date of the completion of each capital contribution to the date of receipt of the redemption price from each investors, less any dividends income received by each investor as the shareholders of Shandong Hongtuo.

In the opinion of the directors of the Company, except for the success listing of Shandong Hongtuo, the Group has the control of all other triggering events and does not expect redemption will occur within next twelve months from the end of the reporting period.

The redemption right constituted a contract that contains an obligation for the Group to repurchase the equity instruments of the subsidiaries of the Company gives rise to a redemption financial liability recognised at the present value of the redemption price, being RMB2,962,600,000, and subsequently measured at amortised cost. The movement in the redemption financial liability are as follow:

	2023 **RMB'000**
At 1 January	**–**
Capital contribution from the investor	**2,962,600**
Interest expense (note 9)	**2,595**
At 31 December	**2,965,195**

37. SHORT-TERM DEBENTURES AND NOTES

	2023 **RMB'000**	2022 RMB'000
Short-term debentures and notes	**7,000,000**	3,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2023 and 2022 are set out as follows:

Debentures	**Date of issue**	**Principal amount**		**Interest rate**	**Date of maturity**
		2023 **RMB'000**	2022 RMB'000		
Short-term debentures C	22 July 2022	**–**	1,000,000	3.55%	22 July 2023
Short-term debentures D	19 August 2022	**–**	1,000,000	3.47%	19 August 2023
Short-term debentures E	23 September 2022	**–**	1,000,000	3.69%	23 September 2023
Short-term debentures F	16 February 2023	**1,000,000**	–	4.60%	16 February 2024
Short-term debentures G	10 March 2023	**1,000,000**	–	4.50%	10 March 2024
Short-term debentures H	24 May 2023	**1,000,000**	–	4.18%	24 May 2024
Short-term debentures I	12 July 2023	**1,000,000**	–	4.47%	12 July 2024
Short-term debentures J	23 August 2023	**1,000,000**	–	4.20%	23 August 2024
Short-term debentures K	22 September 2023	**1,000,000**	–	4.21%	22 September 2024
Short-term debentures L	28 November 2023	**1,000,000**	–	4.00%	28 November 2024

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.

38. MEDIUM-TERM DEBENTURES AND BONDS

	2023 RMB'000	2022 RMB'000
Amounts due within one year	**8,116,930**	8,507,112
Amounts due after one year	**3,206,332**	5,960,847
	11,323,262	14,467,959

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2023 and 2022 are set out as follows:

Debentures	Date of issue	Principal amount 2023 RMB'000	Principal amount 2022 RMB'000	Coupon interest rate	Effective interest rate	Date of maturity
Unlisted						
Medium-term debentures Q	14 January 2022	**1,000,000**	1,000,000	4.50%	4.80%	14 January 2024
Medium-term debentures R	18 March 2022	**1,000,000**	1,000,000	4.50%	4.80%	18 March 2024
Medium-term debentures S	30 March 2023	**300,000**	–	4.82%	4.82%	30 March 2025
Medium-term debentures T	13 April 2023	**1,000,000**	–	4.96%	4.82%	13 April 2025
Medium-term debentures U	16 June 2023	**600,000**	–	5.00%	4.82%	16 June 2025
Medium-term debentures V	28 July 2023	**720,000**	–	4.96%	4.82%	28 July 2025
Medium-term debentures W	21 August 2023	**300,000**	–	4.95%	4.82%	21 August 2025
Medium-term debentures X	26 December 2023	**300,000**	–	4.82%	4.82%	26 December 2025
Listed						
Enterprise bonds K	17 October 2016	**–**	5,521,045	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	**2,000,000**	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds M	11 June 2021	**–**	500,000	4.90%	5.05%	11 June 2023
Enterprise bonds N	11 June 2021	**500,000**	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	**1,000,000**	1,000,000	4.16%	4.26%	20 August 2024
Enterprise bonds P	13 June 2022	**1,000,000**	1,000,000	4.30%	4.52%	13 June 2025
Enterprise bonds Q	3 August 2022	**1,000,000**	1,000,000	4.50%	4.60%	3 August 2025
Enterprise bonds R	3 November 2022	**620,000**	1,000,000	4.00%	4.12%	3 November 2027

Debentures were issued to various independent third parties according to the approvals issued by NAFMII and all of the debentures carry interest at fixed rate.

Enterprise bonds were issued according to the approvals issued by National Development and Reform Commission and are listed on Shanghai Stock Exchange and carry interest at coupon rate with the issuer's option to adjust the rate at pre-agreed dates.

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.

39. GUARANTEED NOTES

	2023 RMB'000	2022 RMB'000
Amounts shown under current liabilities	**3,511,821**	1,392,893
Amounts shown under non-current liabilities	**–**	3,450,755
	3,511,821	4,843,648

2023 Guaranteed Notes

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 and select one of the calculation of 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 was 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.

On 2 May 2023, the Company has redeemed the 2023 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

39. GUARANTEED NOTES (Continued)

2024 Guaranteed Notes

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,230,050,000) (the "2024 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will be matured on 8 June 2024. The 2024 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2024 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2024 Guaranteed Notes may/will be redeemed by the Company and select one of the calculation of redemption price set forth below:

Period	Redemption price
Prior to 8 June 2024	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 8 June 2024	106.25% 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 2024 Guaranteed Notes on 8 June 2024, plus all required remaining scheduled interest payments due on the 2024 Guaranteed Notes through 8 June 2024 (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 8 June 2024, the Company may at its option redeem the 2024 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 8 June 2024, the Company may redeem up to 35% of the 2024 Guaranteed Notes, at a redemption price of 106.25% 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 2024 Guaranteed Notes on date of issuance was net of issue expenses of US$4,279,000 (equivalent to approximately RMB27,203,000) and the effective interest rate of the 2024 Guaranteed Notes is 6.52% per annum.

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

40. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds ("2017 CBs") bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US$320,000,000. The 2017 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.16 per share with fixed exchange rate of HK$7.8212 equal to US$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date. 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 put option date, on 28 November 2020, redeem the outstanding 2017 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 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds ("2021 CBs") bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US$300,000,000. The 2021 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.91 per share with fixed exchange rate of HK$7.7530 equal to US$1.00 at any time on or after 7 March 2021 and thereafter up to the close of business on the tenth day prior to the maturity date. 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 put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

On 31 May 2022, as a result of the Company's declaration of final dividend, the conversion price of the 2021 CBs was adjusted from HK$8.12 to HK$7.63 per share. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 21 November 2022, as a result of the Company's declaration of interim dividend, the conversion price of the 2021 CBs was adjusted from HK$7.63 to HK$7.24 per share. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 31 May 2023, as a result of the Company's declaration of final dividend, the conversion price of the 2021 CBs was adjusted from HK$7.24 to HK$7.15 per share. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

40. CONVERTIBLE BONDS (Continued)

On 24 November 2023, as a result of the Company's declaration of interim dividend, the conversion price of the 2021 CBs was adjusted from HK$7.15 to HK$6.82 per share. Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2023, the principal amount of the 2021 CBs that remained outstanding amounted to US$300,000,000 (2022: US$300,000,000) of which a maximum of 341,041,055 (2022: 321,256,906) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the CBs are set out in announcements of the Company dated 11 June 2021, 25 November 2021, 31 May 2022, 21 November 2022, 31 May 2023 and 24 November 2023.

The movements of the liability and derivatives components of the 2017 CBs and 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2017 CBs	Derivative component of 2017 CBs	Liability component of 2021 CBs	Derivative component of 2021 CBs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	1,358,611	713,086	1,633,747	241,270	3,946,714
Conversion into shares of the Company (note 43)	(1,487,157)	(744,050)	–	–	(2,231,207)
Change in fair values (note 32)	–	–	–	187,004	187,004
Effective interest expenses (note 9)	84,968	–	142,409	–	227,377
Interest paid	(15,416)	–	(89,705)	–	(105,121)
Exchange translation	58,994	30,964	144,076	28,736	262,770
As at 31 December 2022	**–**	**–**	**1,830,527**	**457,010**	**2,287,537**
Change in fair values (note 32)	**–**	**–**	**–**	**49,044**	**49,044**
Effective interest expenses (note 9)	**–**	**–**	**182,338**	**–**	**182,338**
Interest paid	**–**	**–**	**(54,813)**	**–**	**(54,813)**
Exchange translation	**–**	**–**	**5,515**	**15,865**	**21,380**
As at 31 December 2023	**–**	**–**	**1,963,567**	**521,919**	**2,485,486**

40. CONVERTIBLE BONDS (Continued)

During the year ended 31 December 2022, 354,186,076 (2023: nil) ordinary shares of the Company were issued as a result of the conversion of 2017 CBs with principal amount of US$246,400,000 (2023: nil). No redemption, purchase or cancellation by the Company has been made in respect of the 2021 CBs for both years.

At 31 December 2023 and 2022, the fair value of the derivative component was valued by Asia-Pacific Consulting and Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair value of the derivative component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the binomial option pricing model. The changes in fair value of the derivative component of convertible bonds were recognised in the profit or loss. The inputs into the model were as follows:

	2021 CBs	
	At 31 December 2023	At 31 December 2022
Share price	HK$6.39	HK$7.37
Conversion price	HK$6.82	HK$7.24
Expected volatility	46.32%	42.46%
Expected life	2.07 years	3.07 years
Risk free rate	4.12%	4.21%
Expected dividend yield	3.92%	5.83%

41. DEFERRED TAXATION

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

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**2,990,023**	2,605,197
Deferred tax liabilities	**(363,704)**	(523,795)
	2,626,319	2,081,402

41. DEFERRED TAXATION (Continued)

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

	Decelerated tax depreciation 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	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 2022	183,644	771,861	114	(589,717)	1,522,415	110,556	19,762	(224,281)	8,598	1,802,952
Acquired on acquisition from subsidiaries (note 47)	–	–	–	–	–	–	–	(12,764)	–	(12,764)
(Charged) credited to profit or loss	(62,768)	(82,795)	(114)	231,620	157,666	(11,978)	(13,569)	71,347	1,805	291,214
At 31 December 2022 and 1 January 2023	**120,876**	**689,066**	**-**	**(358,097)**	**1,680,081**	**98,578**	**6,193**	**(165,698)**	**10,403**	**2,081,402**
(Charged) credited to profit or loss	**(27,279)**	**41,658**	**-**	**87,609**	**378,675**	**(11,225)**	**1,024**	**72,482**	**1,973**	**544,917**
At 31 December 2023	**93,597**	**730,724**	**-**	**(270,488)**	**2,058,756**	**87,353**	**7,217**	**(93,216)**	**12,376**	**2,626,319**

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,809,657,000 (2022: RMB4,627,740,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB2,922,896,000 (2022: RMB2,756,264,000) of such losses that will expire within next five years. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB2,232,501,000 (2022: RMB1,903,813,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,664,634,000 (2022: RMB1,462,394,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB567,867,000 (2022: RMB441,419,000) may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB85,002,136,000 (2022: RMB74,867,227,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

42. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Government grants related to property, plant and equipment		
– Current liabilities	**35,290**	36,684
– Non-current liabilities	**1,475,183**	794,292
	1,510,473	830,976

As at 31 December 2023, the Group received government subsidies of approximately RMB724,395,000 (2022: RMB16,993,000) towards the cost of certain construction projects. The amount has been treated as deferred income and is transferred to income over the useful lives of relevant plant and machineries. This policy has resulted in a credit to income in the current year of approximately RMB44,898,000 (2022: RMB47,910,000).

43. SHARE CAPITAL

	Number of shares		Share Capital	
	2023	2022	2023 US$	2022 US$
Authorised:				
Ordinary shares of US$0.01 each	**20,000,000,000**	20,000,000,000	**200,000,000**	200,000,000

	2023	2022	2023 US$	2022 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**9,475,538,425**	9,475,538,425	**94,755,384**	94,755,384

	Number of shares	Share Capital RMB'000
Issued and fully paid:		
At 1 January 2022	9,121,352,349	595,139
Issue of shares upon conversion of 2017 CBs (note (i))	354,186,076	23,742
At 31 December 2022 and 31 December 2023	**9,475,538,425**	**618,881**

Note:

(i) During the year ended 31 December 2022, 2017 CBs with principal amounts of US$92,800,000, US$55,000,000 and US$98,600,000 was converted into 141,482,916, 79,513,123 and 133,190,037 ordinary shares of the Company at par at the conversion price of HK$5.13, HK$5.41 and HK$5.79 per ordinary share, respectively.

43. SHARE CAPITAL (Continued)

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2022: 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 in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong 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; (v) share of capital reserve of an associate and subsidiaries from Shandong Innovation Carbon New Material Co., Ltd.* ("Innovation Carbon New Material") 山東創新炭材料有限公司; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

(b) Statutory surplus reserve

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

(c) Translation reserve

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

(d) Investment revaluation reserve

Investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

* The English translation is for reference only.

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 35, 37, 38, 39 and 40, and net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 43, share premium and reserves in the consolidated statement of financial position.

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

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 **RMB'000**	2022 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**54,369,789**	46,371,108
Financial assets at FVTPL	**11,725,159**	2,122
Financial assets at FVTOCI	**1,401,378**	1,542,588
Financial liabilities		
Financial liabilities at amortised cost	**86,000,904**	83,618,036
Financial liabilities at FVTPL	**521,919**	457,010

46. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, other receivables, financial assets at FVTPL, restricted bank deposits, cash and cash equivalents, financial asset at amortised cost, financial assets at FVTOCI, loans to associates, trade and bills payables, other payables and accruals, other financial liability, bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and 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, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Market risk

(i) Currency risk

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

	Exposure to foreign currencies					
	2023			2022		
	USD	**HK$**	**IDR**	USD	HK$	IDR
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Other receivables	**294,891**	**–**	**–**	64,417	–	–
Cash and cash equivalents	**1,024,492**	**33,189**	**69,430**	523,823	60,056	126,289
Other financial asset	**–**	**–**	**–**	2,122	–	–
Trade payables	**78,445**	**–**	**–**	2,171,252	–	–
Other payables and accruals	**–**	**–**	**–**	527,409	–	–
Bank borrowings	**998,590**	**31,299**	**–**	5,142,981	–	–
Liability component of convertible bonds	**1,963,567**	**–**	**–**	1,830,527	–	–
Guaranteed notes	**3,511,821**	**–**	**–**	4,843,648	–	–

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 3% (2022: 1%) increase and decrease in RMB against the relevant foreign currencies. 3% (2022: 1%) 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.

A positive number below indicates an increase in post-tax profit where RMB strengthen 3% (2022: 1%) against the relevant currency. For a 3% (2022: 1%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the amounts below would be negative.

	2023 **RMB'000**	2022 RMB'000
Effect on post-tax profit:		
US$	**133,538**	115,898
HK$	**(47)**	(501)
IDR	**(1,625)**	(985)

(ii) Interest rate risk

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

The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances and variable-rate bank borrowings, and mainly concentrated on the fluctuation of interest rate quoted from the CFETS, PBOC and SOFR 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.

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and 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 were outstanding for the whole year. A 25 basis points (2022: 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 (2022: 25 basis points) higher/lower and all other variables were held constant:

	2023 **RMB'000**	2022 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(36,988)**	(29,193)
As a result of decrease in interest rate	**36,988**	29,193

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.

(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 concentrated on equity instruments operating in bank industry, industrial metals and mining industry and technology industry sector quoted in the Stock Exchange. For unquoted equity security designated as FVTOCI, the investee is operating in semiconductor industry sector. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

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 quoted equity instrument had been 10% (2022: 10%) higher/lower, other comprehensive income for the year ended 31 December 2023 would increase/decrease by approximately RMB130,697,000 (2022: RMB144,259,000) as a result of the changes in fair value of financial assets at FVTOCI.

46. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

If the P/B multiples of the unquoted equity instrument had been 10% (2022: 10%) higher/lower, other comprehensive income for the year ended 31 December 2023 would increase/decrease by approximately RMB9,441,000 (2022: RMB11,412,000) as a result of the changes in fair value of financial assets at FVTOCI.

(d) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, 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 the Group mainly arises from loans to associates, financial asset at amortised cost, 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-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

Management considered loans to an associates to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

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.

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

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 2023

	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)	Lifetime ECL (simplified approach)	**5,496,090**	**(7,339)**	**5,488,751**
Bills receivables (note 2)	Performing	12-month ECL	**4,977,642**	**–**	**4,977,642**
Other receivables	Performing	12-month ECL	**1,393,322**	**(301)**	**1,393,021**
Other receivables	Default	Lifetime ECL – credit-impaired	**23,116**	**(23,116)**	**–**
Collective investment trust	Performing	12-month ECL	**2,494,000**	**–**	**2,494,000**
Restricted bank deposits	Performing	12-month ECL	**1,826,579**	**–**	**1,826,579**
Cash and cash equivalents	Performing	12-month ECL	**31,721,122**	**–**	**31,721,122**
Loans to associates (note 3)	Performing	12-month ECL	**6,468,674**	**–**	**6,468,674**
			54,400,545	**(30,756)**	**54,369,789**

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2022

	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)	Lifetime ECL (simplified approach)	4,617,414	(6,719)	4,610,695
Bills receivables (note 2)	Performing	12-month ECL	5,573,175	–	5,573,175
Other receivables	Performing	12-month ECL	773,421	(579)	772,842
Other receivables	Default	Lifetime ECL – credit-impaired	26,441	(26,441)	–
Collective investment trust	Performing	12-month ECL	2,499,000	–	2,499,000
Restricted bank deposits	Performing	12-month ECL	1,720,058	–	1,720,058
Cash and cash equivalents	Performing	12-month ECL	27,384,542	–	27,384,542
Loans to associates (note 3)	Performing	12-month ECL	3,810,796	–	3,810,796
			46,404,847	(33,739)	46,371,108

Notes:

1. 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 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.

3. For the loans to associates, the Group regularly monitors the business performance of the associates. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities, the collateral and the power to participate the relevant activities of these entities and thus the impairment provision recognised during the year was limited to 12-month ECL.

46. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 11% (2022: 11%) and 41% (2022: 45%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2022: 98%) of the total receivables as at 31 December 2023.

The Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from the top major bank represented 8% (2022: 8%) of the total bills receivables as at 31 December 2023. In addition, the Group's bills receivables from the top five major banks represented 28% (2022: 29%) of the total bills receivables as at 31 December 2023.

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, 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 and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease 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)

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	4.93	23,565,959	1,541,081	3,822,076	-	28,929,116	28,499,674
Floating-rate bank borrowings	4.89	6,929,832	817,421	1,137,273	2,027,894	10,912,420	10,611,442
Medium-term debentures and bonds	4.87	7,057,427	5,387,913	-	-	12,445,340	11,323,262
Short-term debentures and notes	2.13	7,149,248	-	-	-	7,149,248	7,000,000
Other financial liability	6.00	-	-	3,495,868	-	3,495,868	2,965,195
Trade and bills payables	-	11,648,276	-	-	-	11,648,276	11,648,276
Other payables (exclude contract liabilities and other tax payables)	-	8,477,667	-	-	-	8,477,667	8,477,667
Guaranteed notes	7.81	3,638,373	-	-	-	3,638,373	3,511,821
Convertible bonds	9.87	110,050	109,749	2,098,278	-	2,318,077	1,963,567
		68,576,832	7,856,164	10,553,495	2,027,894	89,014,385	86,000,904
Lease liabilities	6.33	44,997	30,487	95,654	858,671	1,029,809	954,658

46. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	4.55	24,322,167	777,723	888,871	–	25,988,761	25,178,310
Floating-rate bank borrowings	7.19	6,945,596	2,113,977	686,304	2,314,334	12,060,211	10,349,449
Medium-term debentures and bonds	4.68	9,307,796	6,173,685	–	–	15,481,481	14,467,959
Short-term debentures and notes	3.57	3,107,100	–	–	–	3,107,100	3,000,000
Trade and bills payables	–	14,911,002	–	–	–	14,911,002	14,911,002
Other payables (exclude contract liabilities and other tax payables)	–	9,037,141	–	–	–	9,037,141	9,037,141
Guaranteed notes	6.89	1,645,750	3,579,555	–	–	5,225,305	4,843,648
Convertible bonds	9.87	109,750	109,749	2,208,328	–	2,427,827	1,830,527
		69,386,302	12,754,689	3,783,503	2,314,334	88,238,828	83,618,036
Lease liabilities	6.26	19,161	14,492	10,494	42,980	87,127	67,916

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) Interest rate benchmark reform

As at 31 December 2022, the Group had bank borrowing of RMB4,590,811,000 which carried interest at 6-months USD LIBOR. During the year ended 31 December 2023, such borrowings was transitioned to SOFR. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

As at 31 December 2022, the Group had loan to WSCR of RMB1,044,690,000 which carried interest at 5% above 3-months USD LIBOR. During the year ended 31 December 2023, such loan was transitioned to SOFR. No other terms were amended as part of the transition. The Group accounted for the change to SOFR using the practical expedient in IFRS 9, which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

46. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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 2023			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL				
Limited partnerships	**–**	**–**	**11,725,159**	**11,725,159**
Financial assets at FVTOCI				
Unlisted equity instruments	**–**	**–**	**94,412**	**94,412**
Listed equity instruments	**1,306,966**	**–**	**–**	**1,306,966**
	1,306,966	**–**	**94,412**	**1,401,378**
Financial liabilities at FVTPL				
Derivative component of convertible bonds	**–**	**–**	**521,919**	**521,919**

	31 December 2022			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Derivative financial liabilities				
– Interest rate swap contracts	–	2,122	–	2,122
Unlisted equity instruments	–	–	100,000	100,000
Listed equity instruments	1,442,588	–	–	1,442,588
	1,442,588	2,122	100,000	1,544,710
Financial liabilities at FVTPL				
Derivative component of convertible bonds	–	–	457,010	457,010

There were no transfers between levels of fair value hierarchy in both years.

46. FINANCIAL INSTRUMENTS (Continued)

(g) 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 valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at 31.12.2023 RMB'000	Fair value as at 31.12.2022 RMB'000	Valuation technique and key inputs
Financial asset at FVTOCI – listed equity instrument	Level 1	**1,306,966**	1,442,588	Quoted bid prices in an active market
Financial asset at FVTOCI – unlisted equity instrument	Level 3	**94,412**	100,000	Market approach – Based on P/B multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B ratio, the higher the fair value)
Financial asset at FVTPL – limited partnerships	Level 3	**11,725,159**	–	Market approach – Based on P/B or P/S multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B or P/S ratio, the higher the fair value) Income approach – by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate (Key unobservable inputs: the higher the discount rate, the lower the fair value)
Interest rate swaps contracts	Level 2	**–**	2,122	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contracted interest rates), discounted at a rate that reflects the credit risk of various counterparties
Derivative component of convertible bonds	Level 3	**521,919**	457,010	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield. Key unobservable inputs: volatility at 46.32% (2022: 42.46%) (The higher the volatility, the higher the fair value)

46. FINANCIAL INSTRUMENTS (Continued)

(g) 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)

Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis:

	Limited partnerships RMB'000	Conversion option derivative of convertible bonds RMB'000	Unlisted equity instrument RMB'000
At 1 January 2022	–	747,749	154,628
Total gains (losses)			
– in profit or loss	–	393,611	–
– in other comprehensive income	–	–	131,855
Conversion into shares of a listed entity instrument	–	–	(286,483)
Purchase	–	–	100,000
Conversion into shares of the Company	–	(744,050)	–
Exchange difference	–	59,700	–
At 31 December 2022 and 1 January 2023	–	457,010	100,000
Total gains (losses)			
– in profit or loss	–	49,044	–
– in other comprehensive income	–	–	(5,588)
Transfer from prepayment	2,500,000	–	–
Purchase	9,225,159	–	–
Exchange difference	–	15,865	–
At 31 December 2023	11,725,159	521,919	94,412

46. FINANCIAL INSTRUMENTS (Continued)

(g) 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

The directors of the Company consider the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their carrying amounts.

(h) Transfers of financial assets

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

	2023 **RMB'000**	2022 RMB'000
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**3,891,534**	4,733,415
Carrying amount of trade payables	**(3,891,534)**	(4,733,415)
Net position as at 31 December	**–**	–

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

47. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2023, the Group had the following acquisition of a subsidiary.

(a) During the year ended 31 December 2023, the Group acquired 80% of the issued capital of Shandong Anrun Energy Co., Ltd* ("Shandong Anrun") 山東安潤能源有限公司 from a limited partnership which the Group invested for consideration of RMB3,009,482,000 and its identifiable assets are mainly property, plant and equipment. The Group elected to apply the optional concentration test in accordance with IFRS 3 Business Combinations. This acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (property, plant and equipment).

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

	RMB'000
Property, plant and equipment	4,104,881
Right-of-use assets	67,475
Trade receivables	28,336
Prepayments and other receivables	29,099
Inventories	148,624
Cash and cash equivalents	2,506
Trade payables	(67,261)
Other payables and accruals	(551,807)
Non-controlling interests	(752,371)
Total identifiable net assets acquired	3,009,482
Satisfied by:	
Cash consideration	3,009,482

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB56,247,000. None of the trade and receivables had been impaired and it is expected that the full amounts can be collected.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	3,009,482
Less: cash and cash equivalent acquired	(2,506)
Net cash outflow on acquisition	3,006,976

47. ACQUISITION OF SUBSIDIARIES (Continued)

During the year ended 31 December 2022, the Group had the following acquisition of subsidiaries.

(b) On 31 December 2022, the Group acquired 100% of the issued capital of Weihai Haixin New Material Co., Ltd.* ("Weihai Haixin") 威海海鑫新材料有限公司 from an independent third party for consideration of RMB871,463,000. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB20,462,000. Weihai Haixin is engaged in manufacture and sale of aluminum products. Weihai Haixin was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to RMB94,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2022, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	842,002
Right-of-use assets	140,479
Trade and bills receivables	672,048
Prepayments and other receivables	409,777
Inventories	286,524
Cash and cash equivalents	400,969
Bank borrowings	(300,000)
Trade and bills payables	(1,203,992)
Other payables and accruals	(355,882)
Total identifiable net assets at fair value	891,925

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB1,081,484,000. None of the trade and receivables had been impaired and it is expected that the full amounts can be collected.

* The English translation is for reference only.

47. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

Gain on bargain purchase:

	RMB'000
Cash consideration transferred	871,463
Less: fair value of net assets of acquired	(891,925)
Gain on bargain purchase	(20,462)

Bargain purchase gain amounting to approximately RMB20,462,000 on acquisition of Weihai Haixin is recongised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	871,463
Less: cash and cash equivalent acquired	(400,969)
Net cash outflow on acquisition	470,494

Impact of acquisition on the result of the Group

No profit attributable to the additional business generated by Weihai Haixin or revenue generated from Weihai Haixin included in the profit for the year ended 31 December 2022.

Had the acquisition been completed in 1 January 2022, total revenue of the Group for the year ended 31 December 2022 would have been approximately RMB133,223,343,000 and profit for the year would have been approximately RMB9,627,385,000. 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 in 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Weihai Haixin been acquired at the beginning of the year ended 31 December 2022, the directors of the Company calculated depreciation of property, plant and equipment based on the recongised amounts of property, plant and equipment at the date of acquisition.

47. ACQUISITION OF SUBSIDIARIES (Continued)

(c) On 31 December 2022, the Group acquired 100% of the issued capital of Weihai Chenxin New Material Co., Ltd.* ("Weihai Chenxin") 威海辰鑫新材料有限公司 from an independent third party for consideration of RMB372,280,000. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB60,000. Weihai Chenxin is engaged in manufacture and sale of aluminum products. Weihai Chenxin was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to RMB94,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2022, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	338,030
Trade and bills receivables	139,725
Prepayments and other receivables	50,092
Cash and cash equivalents	9,456
Inventories	51,723
Trade and bills payables	(151,995)
Other payables and accruals	(51,927)
Deferred tax liabilities	(12,764)
Total identifiable net assets at fair value	372,340

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB189,817,000. None of the receivables had been impaired and it is expected that the full amounts can be collected.

* The English translation is for reference only.

47. ACQUISITION OF SUBSIDIARIES (Continued)

(c) (Continued)

Gain on bargain purchase:

	RMB'000
Cash consideration transferred	372,280
Less: fair value of net assets of acquired	(372,340)
Gain on bargain purchase	(60)

Bargain purchase gain amounting to approximately RMB60,000 on acquisition of Weihai Chenxin is recongised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	372,280
Less: cash and cash equivalent acquired	(9,456)
Net cash outflow on acquisition	362,824

Impact of acquisition on the result of the Group

No profit attributable to the additional business generated by Weihai Chenxin or revenue generated from Weihai Chenxin included in the profit for the year ended 31 December 2022.

Had the acquisition been completed in 1 January 2022, total revenue of the Group for the year ended 31 December 2022 would have been approximately RMB131,437,931,000 and profit for the year would have been approximately RMB9,629,440,000. 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 in 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Weihai Chenxin been acquired at the beginning of the year ended 31 December 2022, the directors of the Company calculated depreciation of property, plant and equipment based on the recongised amounts of property, plant and equipment at the date of acquisition.

48. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2023, and 2022 the Group had the following change in its ownership interests in subsidiaries that do not result in a loss of control.

Deemed disposal of interest in a subsidiary

During the year ended 31 December 2023, upon additional capital contribution of RMB786,199,000 being made by certain independent investors to Hongchuang, the Group's equity interest in Hongchuang was diluted from 26.64% to 21.72%. The transaction was accounted for as partial disposal of a subsidiary without loss of control. The carrying value of 4.92% of the net assets of Hongchuang was approximately RMB109,347,000. A schedule of the effect of disposal of interest is in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the 4.92% interest deemed disposed of	109,347
Consideration received from non-controlling interests	–
Difference recognised in capital reserve within equity	109,347

During the years ended 31 December 2022, the Group had the following change in its ownership interest in subsidiaries that do not result in a loss of control.

Acquisition of additional interest in a subsidiary

During the year ended 31 December 2022, the Group acquired an additional 35% issued shares of Chongqing Weiqiao Financial Factoring Co., Ltd.* ("Chongqing Weiqiao Financial") 重慶魏橋金融保理有限公司 from non-controlling interests and increased its ownership interest to 100%. Cash consideration of approximately RMB236,500,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao Financial was approximately RMB178,850,000. A schedule of the effect of acquisition of additional interest is as follow:

	RMB'000
Carrying amount of the interest acquired	178,850
Consideration paid to non-controlling interests	(236,500)
Difference recognised in capital reserve within equity	(57,650)

* The English translation is for reference only

49. 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:

	2023 **RMB'000**	2022 RMB'000
Restricted bank deposits (note 31)	**1,826,579**	1,720,058
Property, plant and equipment (note 16)	**10,523,030**	12,069,053
Right-of-use assets (note 17)	**544,629**	556,345

50. COMMITMENTS

	2023 **RMB'000**	2022 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**5,833,281**	3,545,775

51. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group had 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
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
Binzhou City Construction Investment Development Co. Ltd. ("Binzhou Investment") 濱州市公建投資開發有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste") 濱州市北海魏橋固廢處置有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Ruixin Tendering Co., Ltd ("Shandong Ruixin") 山東瑞信招標有限公司 (note i)	Controlled by Weiqiao Chuangye
Zhanhua Weiqiao Port Logistics Co., Ltd. ("Zhanhua Weiqiao Port Logistics") 沾化魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Weiqiao Textile Co. Ltd ("Weiqiao Textile") 魏橋紡織股份有限公司	Controlled by Weiqiao Chuangye
Shandong Xiangshang Clothing Culture Co., Ltd. ("Shandong Xiangshang") 山東向尚服飾文化有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Weiqiao Jiajia Home Textile Co., Ltd. ("Weiqiao Jiajia") 山東魏橋嘉嘉家紡有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Anhao Medical Protective Products Technology Co., Ltd. ("Shandong Anhao Medical") 山東安好醫療防護用品科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Weihai Weiqiao Energy Co., Ltd. ("Weihai Weiqiao Energy") 威海魏橋能源有限公司 (note i)	Controlled by Weiqiao Chuangye

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Name of party	Relationship
PT. Harita Jayaraya ("Harita Jayaraya")	note iii
PT. Cita Mineral Investindo, Tbk.	A subsidiary of Harita Jayaraya
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply") 沾化金沙供水有限公司 (note i)	An associate of Weiqiao Chuangye
Business Aviation Asia (Cayman) Limited ("Business Aviation")	An associate of Weiqiao Chuangye
WCSR	An associate of a subsidiary of the Company
Innovation Carbon New Material	An associate of a wholly-owned subsidiary of the Company
ABM	An associate of a subsidiary of the Company
GTS	An associate of a subsidiary of the Company
WAP	An associate of a subsidiary of the Company
SMB	An associate of a subsidiary of the Company
Binneng Energy	An associate of a subsidiary of the Company
Weiqiao Haiyi	An associate of a subsidiary of the Company
Shandong Binhong	An associate of a subsidiary of the Company

Notes:

i. The English translation is for reference only.

ii. 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.

iii. Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Group.

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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

	Notes	2023 RMB'000	2022 RMB'000
Purchase of water			
Jinsha Water Supply	(a)	**(26,113)**	(24,315)
Weiqiao Chuangye	(b)	**(45,182)**	(30,886)
Industrial waste expenses			
Beihai Solid Waste	(b)	**(101,394)**	(160,569)
Binneng Energy	(f)	**(572)**	–
Purchase of bauxite			
GTS	(f)	**(14,306,886)**	(13,426,851)
PT. Cita Mineral Investindo, Tbk.	(a)	**(1,307,573)**	(799,009)
Purchase of electricity			
Binneng Energy	(f)	**(13,298,361)**	(14,938,883)
Weihai Weiqiao Energy	(f)	**(43,060)**	–
Shandong Binhong	(a)	**(15,490)**	–
Purchase of anode carbon block			
Innovation Carbon New Material	(f)	**(1,677,340)**	(2,394,356)
Purchase of right-of-use assets			
Weiqiao Chuangye	(a)	**(764,798)**	(83,604)
Weiqiao Textile	(a)	**–**	(18,956)
Purchase of steam			
Binneng Energy	(f)	**(899,482)**	–
Weihai Weiqiao Energy	(f)	**(3,922)**	–
Purchase of coal			
Binneng Energy	(f)	**(201,542)**	–
Purchase of accessories			
Shandong Xiangshang	(a)	**(486)**	–
Weiqiao Jiajia	(a)	**(705)**	–
Shandong Anhao Medical	(a)	**(161)**	–
Weiqiao Haiyi	(f)	**(340)**	–
Weiqiao Chuangye	(a)	**(4)**	–
Sales of steam			
Binzhou Industrial Park	(a)	**13,535**	10,453
Ming Hong Textile	(a)	**4,512**	3,677
Binzhou Investment	(a)	**25,957**	22,278
Zhanhua Weiqiao Port Logistics	(a)	**1,219**	533
Sales of water			
Zhanhua Weiqiao Port Logistic	(a)	**94**	101
Weiqiao Haiyi	(f)	**5**	–
Sales of electricity			
Shandong Binhong	(a)	**129**	–

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	Notes	**2023 RMB'000**	2022 RMB'000
Legal and professional fee			
Shandong Ruixin	(a)	**(4,145)**	(10,757)
Business Aviation	(a)	**(46,699)**	–
Lease payment			
Weiqiao Chuangye	(a), (c)	**(40,409)**	(2,850)
Harita Jayaraya	(e), (f)	**(1,236)**	(1,070)
PT. Antar Sarana Rekasa	(d), (f)	**(8,640)**	(8,427)
Interest income from associates			
Binneng Energy	(f)	**114,780**	114,780
WCSR	(f)	**140,828**	41,834
ABM	(f)	**90,184**	–

Notes:

(a) The related party transactions 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 14.76 of the Listing Rules.

(b) The related party transactions 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) The Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye in 2018. The amount of lease payment made by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2023, the carrying amount of such lease liabilities is approximately RMB39,015,000 (2022: RMB40,394,000).

The Group entered into a twenty-year lease in respect of land from Weiqiao Chuangye in 2023. The amount of lease payment made by the Group under the lease is approximately RMB37,560,000 per year and prepaid each year. As at 31 December 2023, the carrying amount of such lease liabilities is approximately RMB507,744,000 (2022: nil).

(d) For the year ended 31 December 2022, the Group entered into a lease for 3 years in respect of vessels in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB720,000 per month. As at 31 December 2023, the carrying amount of such lease liabilities is RMB8,010,000 (2022: RMB14,935,000).

(e) For the year ended 31 December 2021, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB103,000 per month. As at 31 December 2023 and 31 December 2022, the carrying amount of such lease liabilities is nil.

For the year ended 31 December 2023, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB98,000 per month. As at 31 December 2023, the carrying amount of such lease liabilities is approximately RMB1,121,000 (2022: nil).

(f) The related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

51. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The following balances were outstanding at the end of the year:

	2023 RMB'000	2022 RMB'000
Loans to associates		
ABM	**2,697,999**	766,106
Binneng Energy	**2,000,000**	2,000,000
WCSR	**1,770,675**	1,044,690
Trade payables		
GTS	**(410,577)**	(2,171,252)
Innovation Carbon New Material	**(238,019)**	(286,458)
Jinsha Water Supply	**(2,438)**	(1,731)
Weiqiao Chuangye	**(10,407)**	(28,687)
PT. Cita Mineral Investindo, Tbk.	**(90,322)**	(39,585)
Trade receivable		
Ming Hong Textile	**–**	127
Other payable		
Weiqiao Chuangye	**–**	(8,793)
Weiqiao Textile	**–**	(20,662)
Prepayments to an associate		
Binneng Energy	**929,989**	661,035
Interest receivable		
WCSR	**183,261**	41,626
ABM	**90,185**	–

(b) Compensation of key management personnel

	2023 RMB'000	2022 RMB'000
Short term employee benefit	**9,106**	8,375
Retirement benefits scheme contributions	**133**	119
	9,239	8,494

Further details of the directors' and chief executive's emoluments are included in note 12.

51. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	2023 RMB'000	2022 RMB'000
Binneng Energy	–	1,400,000
Weiqiao Chuangye	3,600,000	3,289,242

52. 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 2023, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB403,727,000 (2022: RMB936,134,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

During the years ended 31 December 2023 and 2022, no utilisation of forfeited contributions were offset the contributions obligation.

53. 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 2023 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 2023 RMB'000
Bank borrowings	35,527,759	1,118,453	–	2,484,126	(19,222)	–	39,111,116
Lease liabilities	67,916	(109,526)	964,951	30,955	362	–	954,658
Liability component of CBs	1,830,527	(54,813)	–	182,338	5,515	–	1,963,567
Derivatives component of CBs	457,010	–	–	–	15,865	49,044	521,919
Medium-term debentures and bonds	14,467,959	(3,824,459)	–	679,762	–	–	11,323,262
Short-term debentures and notes	3,000,000	3,777,818	–	222,182	–	–	7,000,000
Other financial liabilities	–	2,962,600	–	2,595	–	–	2,965,195
Guaranteed notes	4,843,648	(1,565,530)	–	229,095	4,608	–	3,511,821
Interest payable	486,456	61,196	–	–	–	–	547,652
	60,681,275	2,365,739	964,951	3,831,053	7,128	49,044	67,899,190

			Non-cash changes					
	1 January 2022 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Finance costs incurred RMB'000	Conversation into shares of the Company RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2022 RMB'000
Bank borrowings	36,381,751	(3,581,774)	300,000	2,174,962	–	252,820	–	35,527,759
Lease liabilities	61,731	(20,926)	24,323	2,833	–	(45)	–	67,916
Liability component of CBs	2,992,358	(105,121)	–	227,377	(1,487,157)	203,070	–	1,830,527
Derivatives component of CBs	954,356	–	–	–	(744,050)	59,700	187,004	457,010
Medium-term debentures and bonds	13,143,593	755,414	–	568,952	–	–	–	14,467,959
Short-term debentures and notes	1,500,000	1,426,689	–	73,311	–	–	–	3,000,000
Guaranteed notes	6,332,831	(2,292,503)	–	386,610	–	416,710	–	4,843,648
Interest payable	610,976	(124,520)	–	–	–	–	–	486,456
	61,977,596	(3,942,741)	324,323	3,434,045	(2,231,207)	932,255	187,004	60,681,275

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

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Plant and equipment		**36**	35
Right-of-use assets		**10,589**	1,883
Investments in subsidiaries		**11,199,239**	11,199,239
Other receivables		**1,770,675**	1,810,796
Amounts due from subsidiaries	(i)	**10,915,651**	10,925,507
Financial assets at fair value through other comprehensive income		**878,641**	928,898
		24,774,831	24,866,358
Current assets			
Trade receivables		**44,030**	88,744
Prepayment and other receivables		**189,869**	43,145
Amounts due from subsidiaries	(i)	**1,008,911**	2,083,141
Amount due from immediate holding company	(ii)	**27**	27
Other financial asset		**–**	2,122
Cash and cash equivalents		**408,362**	388,782
		1,651,199	2,605,961
Current liabilities			
Trade payables		**44,030**	89,982
Other payables		**69,673**	140,238
Lease liabilities		**4,769**	1,777
Bank borrowings – due within one year		**996,974**	1,789,650
Guaranteed notes – due within one year		**3,511,821**	1,392,893
		4,627,267	3,414,540
Net current liabilities		**(2,976,068)**	(808,579)
Total assets less current liabilities		**21,798,763**	24,057,779
Non-current liabilities			
Lease liabilities		**5,999**	196
Amount due to a subsidiary	(ii)	**12,060,856**	10,710,162
Bank borrowings – due after one year		**–**	821,823
Liability component of convertible bonds – due after one year		**1,963,567**	1,830,527
Guaranteed notes – due after one year		**–**	3,450,755
Derivative component of convertible bonds – due after one year		**521,919**	457,010
		14,552,341	17,270,473
Net assets		**7,246,422**	6,787,306
Capital and reserves			
Share capital		**618,881**	618,881
Reserves	(iii)	**6,627,541**	6,168,425
Total equity		**7,246,422**	6,787,306

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

(i) The amounts due from subsidiaries with the balance of approximately RMB2,916,178,000 (2022: RMB3,944,604,000) are unsecured, carrying interest at fixed rate ranged from 5% to 8% (2022: ranged from 5% to 8%) per annum. The balances of approximately RMB1,008,911,000 (2022: RMB2,083,141,000) and RMB1,907,267,000 (2022: RMB1,861,463,000) are repayable in April 2024 and December 2024 (2022: April 2023 and December 2024) respectively.

The remaining balances are unsecured, interest-free and the directors of the Company do not expect repayments on these balances within next twelve months from the end of the reporting period and the balances were classified as non-current. The fair value of interest-free portion is estimated at approximately RMB9,008,384,000 (2022: RMB9,064,044,000) by using the effective interest rate of 4.9% per annum for the years ended 31 December 2023 and 2022.

(ii) The amounts due from (to) immediate holding company/a subsidiary are unsecured, interest-free. The directors of the Company do not expect repayments from immediate holding company within next twelve months from the end of the reporting period and the balance of payable to a subsidiary will only be due after one year from the end of the reporting period.

(iii) Movement in reserves

	Share premium RMB'000	**Reserve[a] Share** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2022	22,833,367	3,193,854	(16,618,103)	9,409,118
Loss and total comprehensive expense for the year	–	–	2,777,493	2,777,493
Dividend paid	–	–	(8,225,651)	(8,225,651)
Issue of shares (note 43)	2,207,465	–	–	2,207,465
At 31 December 2022 and 1 January 2023	**25,040,832**	**3,193,854**	**(22,066,261)**	**6,168,425**
Profit and total comprehensive income for the year	**–**	**–**	**4,245,228**	**4,245,228**
Dividend paid	**–**	**–**	**(3,786,112)**	**(3,786,112)**
At 31 December 2023	**25,040,832**	**3,193,854**	**(21,607,145)**	**6,627,541**

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

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	
China Hongqiao Investment Limited	BVI	Ordinary Shares	US$200	**100**	100	**-**	–	**100**	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK$10,100	**-**	–	**100**	100	**100**	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	**61**	61	**-**	–	**61**	61	Manufacture and sale of alumina
Hongqiao (HK) International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	**-**	–	**100**	100	**100**	100	Inactive
Shandong Hongqiao	PRC	Ordinary Shares	RMB11,759,333,009	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Zouping Hongli Thermal Power Co., Ltd.* 鄒平縣宏利熱電有限公司	PRC	Ordinary Shares	RMB1,817,065,373	**-**	–	**94.52**	94.52	**94.52**	94.52	Production and sale of electricity
Zhouping Hongmao New Material Technology Co., Ltd.* 鄒平縣宏茂新材料科技有限公司	PRC	Ordinary Shares	RMB1,500,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Zhouping Hongzheng New Material Technology Co., Ltd* 鄒平縣宏正新材料科技有限公司	PRC	Ordinary Shares	RMB700,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Shandong Weiqiao	PRC	Ordinary Shares	RMB13,000,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Manufacture and sale of aluminum products
Zouping County Hongxu Thermal Power Co., Ltd.* ("Hongxu Power") 鄒平縣宏旭熱電有限公司	PRC	Ordinary Shares	RMB8,200,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Production and sale of electricity
Zouping Huiju New Material Technology Co., Ltd.* 鄒平縣匯聚新材料科技有限公司	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	**-**	–	**94.52**	94.52	**94.52**	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 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				
				2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	
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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Binzhou Zhanhua Huihong New Material Co., Ltd.* 濱州市沾化區匯宏新材料有限公司	PRC	Ordinary Shares	RMB3,000,000,000	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Binzhou Hongnuo New Material* 濱州市宏諾新材料有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2023 and 2022 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				
				2023 %	2022 %	2023 %	2022 %	2023 %	2022 %	
Binzhou Hongzhan Aluminum Technology Co., Ltd.* 濱州宏展鋁業科技有限公司	PRC	Ordinary Shares	RMB200,000,000	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Beihai Xinhe	PRC	Ordinary Shares	RMB2,100,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Hongchuang (Note i)	PRC	Ordinary Shares	RMB926,400,000	-	–	21.72	26.64	21.72	26.64	Manufacture and sale of aluminum products
Chongqing Weiqiao Financial	PRC	Ordinary Shares	RMB500,000,000	-	–	94.52	94.52	94.52	94.52	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	-	–	67.55	70.89	67.55	70.89	Manufacture and sale of aluminum products
Shandonfg Hongtuo	PRC	Ordinary Shares	RMB7,500,000,000	-	–	90.07	94.52	90.07	94.52	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	-	–	90.07	94.52	90.07	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products

* For identification purpose only

Note:

i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 21.72% (2022: 26.64%) 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.

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.

55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB18,323,262,000 (2022: RMB17,467,959,000) of debt securities at the end of the year:

	Total and held by third parties	
	2023	2022
	RMB'000	RMB'000
Shandong Hongqiao	**16,320,053**	9,970,703
Shandong Weiqiao	**2,003,209**	7,497,256

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, Singapore, BVI, Hong Kong and Guinea (2022: the PRC, Singapore, BVI and Guinea). The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2023	2022
Sales of aluminum products	The PRC	**25**	14
Sales of scrap materials	The PRC	**1**	1
Delivery service	The PRC	**1**	1
Reclamation and utilisation of waste	The PRC	**7**	6
Wholesale of bauxite, alumina and aluminum products	The PRC	**11**	11
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**15**	14
Technology promotion and application service industry	The PRC	**5**	5
Investment management	The PRC	**1**	1
Investment holdings	The PRC	**4**	4
Others	Hong Kong	**1**	1
Others	The PRC	**14**	14
		88	75

55. 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	
		2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Hongchuang and its subsidiaries	PRC	**77.02%**	71.82%	**77.02%**	71.82%	**(113,226)**	15,693	**891,582**	1,004,808

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

	2023 RMB'000	2022 RMB'000
Current assets	**1,402,952**	1,249,367
Non-current assets	**1,290,317**	1,399,507
Current liabilities	**(1,411,475)**	(1,207,743)
Non-current liabilities	**(124,196)**	(42,066)
Equity attributable to owners of the Company	**266,016**	394,257
Non-controlling interest	**891,582**	1,004,808
Revenue	**2,698,438**	3,531,349
Expenses	**(2,845,446)**	(3,509,498)
(Loss) profit for the year	**(147,008)**	21,851
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	**(33,782)**	6,158
(Loss) profit and total comprehensive (expense) income attributable to the non-controlling interest	**(113,226)**	15,693
(Loss) profit and total comprehensive (expense) income for the year	**(147,008)**	21,851
Net cash (outflows) inflows from operating activities	**(212,606)**	328,110
Net cash outflows from investing activities	**(455,768)**	(91,855)
Net cash inflows (outflows) from financing activities	**581,868**	(96,450)
Net cash (outflows) inflows	**(86,506)**	139,805

56. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group entered into new arrangement in respect of premises and vessels. Right-of-use assets and lease liabilities of approximately RMB964,951,000 (2022: RMB24,323,000) were recognised at the commencement of the lease.

During the year ended 31 December 2023, dividend was declared by one of its associate and the Group's entitlement is approximately RMB2,843,867,000. As at 31 December 2023, balance of RMB2,697,999,000 remained unsettled and it was assigned and included as loan to associate.

During the year ended 31 December 2022, the Group recognised capital reserve of RMB23,918,000 which represented capital injection from other investors in an associate.

During the year ended 31 December 2022, the Group transferred property, plant and equipment of approximately RMB40,305,000 to investment properties.

57. EVENT AFTER THE REPORTING PERIOD

As set out in the announcement of the Company dated 6 March 2024, the Group entered into the mine guarantee agreement and infrastructure guarantee agreement with its associates to support the mine projects in Simandou, Guinea.

As set out in the announcement of the Company dated 15 March 2024, the Group entered into sale and purchase agreement with non-controlling interests to acquire an additional 4.04% issued shares of Shandong Hongqiao.

Independent Auditor's Report

SHINEWING (HK) CPA Limited
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Causeway Bay, Hong Kong

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香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

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 66 to 198, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

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

- Estimated allowance on inventories;
- Impairment assessment of property, plant and equipment;
- Impairment assessment of interest in Zouping Binneng Energy Technology Co., Ltd* ("Binneng Energy") 鄒平濱能能源科技有限公司; and
- Impairment assessment of loans to associates.

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 24 to the consolidated financial statements and the accounting policies on page 94.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying amount of the inventories was approximately RMB37,267,620,000. 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.	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 2022. 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 2022 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

* The English translation is for reference only

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements and the accounting policies on pages 103 to 104.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying amount of property, plant and equipment amounted to approximately RMB68,060,299,000. Management assesses property, plant and equipment for potential impairment whenever there are indications that the carrying value may not be recoverable. An impairment loss on property, plant and equipment of approximately RMB224,838,000 was recognised for the year ended 31 December 2022. 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 valuation specialist in determining the recoverable amount of property, plant and equipment.	We understood the management methodology and basis applied in calculating the recoverable amounts. We evaluated the recoverable amount calculations of the relevant assets prepared by the management by 1) obtaining external valuation reports for those assets where their recoverable amounts are determined by fair value less cost of disposal; 2) considering the objectivity, independence and competency of the valuation specialist; 3) assessing the appropriateness of the valuation methodologies and challenged the reasonableness of methodologies and the use of market data and assumptions applied in determining the fair value less cost of disposal and 4) checking the mathematical accuracy of the impairment models.

IMPAIRMENT ASSESSMENT OF INTEREST IN BINNENG ENERGY

Refer to note 20 to the consolidated financial statements and the accounting policies on page 83.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the carrying amount of the Group's interest in Binneng Energy amounted to approximately RMB4,865,113,000. 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 and valuation specialist.	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. 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. In addition, we reviewed the future cash flow forecast prepared by management. 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 LOANS TO ASSOCIATES

Refer to notes 20 and 21 to the consolidated financial statements and the accounting policies on pages 83, 96 to 99.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2022, the Group had loans provided to associates at carrying amount of RMB3,810,796,000, of which RMB1,810,796,000 is included in interests in associates. The loans provided to associates is assessed for impairment individually and involves significant management judgment in assessing the expected credit loss ("ECL"), 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 loans to associates 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 review the management's assessment of the ECL model adopted for the loss allowance on loans to associates. 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 input data used by the management with reference to the historical credit loss experience, financial information of associates, recoverside amount of the collateral and the latest available general economic data.

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 THE AUDIT COMMITTEE 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.

The Audit Committee 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, 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 the Audit Committee 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 the Audit Committee 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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

24 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	**131,699,427**	114,490,941
Cost of sales		**(113,460,127)**	(84,037,845)
Gross profit		**18,239,300**	30,453,096
Other income and gains	7	**3,928,933**	3,706,677
Selling and distribution expenses		**(597,679)**	(525,709)
Administrative expenses		**(5,933,759)**	(5,708,346)
Other expenses	8	**(329,047)**	(1,690,523)
Finance costs	9	**(3,019,544)**	(3,625,974)
Changes in fair values of financial instruments	31	**(184,981)**	(116,806)
Share of profits of associates	20	**503,335**	61,519
Profit before taxation		**12,606,558**	22,553,934
Income tax expenses	10	**(2,797,583)**	(5,705,135)
Profit for the year	11	**9,808,975**	16,848,799
Attributable to:			
Owners of the Company		**8,701,953**	16,073,342
Non-controlling interests		**1,107,022**	775,457
		9,808,975	16,848,799
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**356,375**	(65,426)
Share of other comprehensive income (expense) of associates		**177,920**	(32,069)
		534,295	(97,495)
Items that will not be reclassified subsequently to profit or loss:			
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income		**133,253**	(108,960)
Total comprehensive income for the year, net of income tax		**10,476,523**	16,642,344
Total comprehensive income for the year attributable to			
Owners of the Company		**9,217,385**	15,896,066
Non-controlling interests		**1,259,138**	746,278
		10,476,523	16,642,344
Earnings per share	15		
– Basic (RMB)		**0.9358**	1.7720
– Diluted (RMB)		**0.9358**	1.7119

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**68,060,299**	63,441,945
Right-of-use assets	17	**7,672,678**	5,718,365
Intangible assets	18	**34,291**	32,595
Investment properties	19	**41,046**	3,808
Deposits paid for acquisition of property, plant and equipment		**644,100**	636,493
Deferred tax assets	39	**2,605,197**	2,616,950
Interests in associates	20	**10,296,678**	6,064,998
Loan to an associate	21	**2,000,000**	2,000,000
Goodwill	22	**278,224**	278,224
Financial asset at amortised cost	28	**2,499,000**	2,499,000
Financial assets at fair value through other comprehensive income	23	**1,542,588**	1,058,906
Prepayment	27	**2,500,000**	541,210
		98,174,101	84,892,494
CURRENT ASSETS			
Inventories	24	**37,267,620**	22,705,105
Trade receivables	25	**4,610,695**	7,284,753
Bills receivables	26	**5,573,175**	11,918,515
Prepayments and other receivables	27	**10,051,561**	10,768,496
Other financial asset	29	**2,122**	99
Income tax recoverable		**957,917**	304
Restricted bank deposits	30	**1,720,058**	1,623,874
Cash and cash equivalents	30	**27,384,542**	49,227,282
		87,567,690	103,528,428
CURRENT LIABILITIES			
Trade and bills payables	32	**14,911,002**	18,735,216
Other payables and accruals	33	**12,357,158**	11,479,959
Bank borrowings – due within one year	34	**30,533,850**	21,010,873
Other financial liabilities	29	**–**	4,497
Lease liabilities	17	**16,161**	10,372
Liability component of convertible bonds – due within one year	38	**–**	1,358,611
Derivatives component of convertible bonds – due within one year	38	**–**	713,086
Income tax payable		**618,264**	2,719,910
Short-term debentures and notes	35	**3,000,000**	1,500,000
Medium-term debentures and bonds – due within one year	36	**8,507,112**	3,598,649
Guaranteed notes – due within one year	37	**1,392,893**	1,908,945
Deferred income	40	**36,684**	26,514
		71,373,124	63,066,632
NET CURRENT ASSETS		**16,194,566**	40,461,796
TOTAL ASSETS LESS CURRENT LIABILITIES		**114,368,667**	125,354,290

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	34	**4,993,909**	15,370,878
Lease liabilities	17	**51,755**	51,359
Liability component of convertible bonds – due after one year	38	**1,830,527**	1,633,747
Derivatives component of convertible bonds – due after one year	38	**457,010**	241,270
Deferred tax liabilities	39	**523,795**	813,998
Medium-term debentures and bonds – due after one year	36	**5,960,847**	9,544,944
Guaranteed notes – due after one year	37	**3,450,755**	4,423,886
Deferred income	40	**794,292**	835,379
		18,062,890	32,915,461
NET ASSETS		**96,305,777**	92,438,829
CAPITAL AND RESERVES			
Share capital	41	**618,881**	595,139
Reserves	42	**83,879,972**	80,712,656
Equity attributable to owners of the Company		**84,498,853**	81,307,795
Non-controlling interests		**11,806,924**	11,131,034
TOTAL EQUITY		**96,305,777**	92,438,829

The consolidated financial statements on pages 66 to 198 were approved and authorised recognised for issue by the board of directors on 24 March 2023 and are signed on its behalf by:

Zhang Bo
Director

Zhang Ruilian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 42(d))	Capital reserve RMB'000 (Note 42(a))	Translation reserve RMB'000 (Note 42(c))	Statutory surplus reserve RMB'000 (Note 42(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829
Profit for the year	-	-	-	-	-	-	8,701,953	8,701,953	1,107,022	9,808,975
Other comprehensive income for the year:										
Fair value gain on investments in equity instruments at fair value through other comprehensive income	-	-	133,253	-	-	-	-	133,253	-	133,253
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	204,259	-	-	204,259	152,116	356,375
Share of other comprehensive income of associates	-	-	-	-	177,920	-	-	177,920	-	177,920
Total comprehensive income	-	-	133,253	-	382,179	-	8,701,953	9,217,385	1,259,138	10,476,523
Capital contribution	-	-	-	-	-	-	-	-	395,210	395,210
Share of capital reserve of an associate	-	-	-	23,918	-	-	-	23,918	-	23,918
Issue of shares upon conversion of convertible bonds (note 38)	23,742	2,207,465	-	-	-	-	-	2,231,207	-	2,231,207
Transfer to non-controlling interests	-	-	-	1,849	-	-	-	1,849	(1,849)	-
Change in ownership in interest in a subsidiary (note 47)	-	-	-	(57,650)	-	-	-	(57,650)	(178,850)	(236,500)
Transfer of reserves	-	-	-	-	-	1,353,142	(1,353,142)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(8,225,651)	(8,225,651)	(797,759)	(9,023,410)
	23,742	2,207,465	-	(31,883)	-	1,353,142	(9,578,793)	(6,026,327)	(583,248)	(6,609,575)
At 31 December 2022	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 42(d))	Capital reserve RMB'000 (Note 42(a))	Translation reserve RMB'000 (Note 42(c))	Statutory surplus reserve RMB'000 (Note 42(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	579,318	20,909,078	(744,064)	789,617	9,448	9,641,780	40,010,960	71,196,137	5,605,533	76,801,670
Profit for the year	–	–	–	–	–	–	16,073,342	16,073,342	775,457	16,848,799
Other comprehensive (expense) income for the year:										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	–	–	(108,960)	–	–	–	–	(108,960)	–	(108,960)
Exchange differences arising on translation of financial statements of foreign operations	–	–	–	–	(36,247)	–	–	(36,247)	(29,179)	(65,426)
Share of other comprehensive expense of associates	–	–	–	–	(32,069)	–	–	(32,069)	–	(32,069)
Total comprehensive (expense) income	–	–	(108,960)	–	(68,316)	–	16,073,342	15,896,066	746,278	16,642,344
Capital contribution	–	–	–	–	–	–	–	–	461,420	461,420
Share of capital reserve of an associate	–	–	–	288	–	–	–	288	–	288
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	(8,987)	(8,987)
Transfer to non-controlling interests	–	–	–	807	–	–	–	807	(807)	–
Step acquisition from associate to subsidiary (note 45)	–	–	–	–	–	–	–	–	87,244	87,244
Change in ownership in interest in subsidiaries (note 47)	–	–	–	(541,130)	–	–	–	(541,130)	4,343,630	3,802,500
Issue of shares (note 41)	15,821	1,924,289	–	–	–	–	–	1,940,110	–	1,940,110
Transfer of reserves	–	–	–	–	–	5,309,265	(5,309,265)	–	–	–
Dividends paid (note 14)	–	–	–	–	–	–	(7,184,483)	(7,184,483)	(103,277)	(7,287,760)
	15,821	1,924,289	–	(540,035)	–	5,309,265	(12,493,748)	(5,784,408)	4,779,223	(1,005,185)
At 31 December 2021	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
OPERATING ACTIVITIES			
Profit before taxation		**12,606,558**	22,553,934
Adjustments for:			
Interest income		**(701,021)**	(730,984)
Finance costs		**3,019,544**	3,625,974
Share of profits of associates		**(503,335)**	(61,519)
Depreciation of property, plant and equipment		**6,762,988**	6,516,403
Depreciation of investment properties		**3,067**	2,277
Depreciation of right-of-use assets		**178,886**	188,259
(Gain) loss on disposal of property, plant and equipment		**(22,783)**	12,982
Loss on fair values changes of financial instruments		**184,981**	116,806
Gain on bargain purchase	45	**(20,522)**	(59,945)
Amortisation of intangible assets		**6,118**	5,765
Amortisation of deferred income		**(47,910)**	(40,590)
Reversal of impairment of property, plant and equipment		**–**	(171,717)
Reversal of write-down of inventories		**(20,417)**	(39,108)
Reversal of impairment of trade receivables		**(1,223)**	–
Reversal of impairment of other receivables		**–**	(31,059)
Write-down of inventories		**104,127**	129,155
Impairment loss recognised in respect of trade receivables		**–**	756
Impairment loss recognised in respect of other receivables		**82**	–
Impairment loss recognised in respect of property, plant and equipment		**224,838**	1,483,143
Impairment loss recognised in respect of right-of-use assets		**–**	77,469
Gain on early termination of lease		**–**	(784)
Loss on fair value changes of previously held equity interest		**–**	13,572
Unrealised foreign exchange loss (gain), net		**655,885**	(316,709)
Operating cash flows before movements in working capital		**22,429,863**	33,274,080
Increase in inventories		**(14,292,291)**	(3,141,178)
Decrease in trade receivables		**2,929,117**	3,047,650
Decrease (increase) in bills receivables		**6,910,804**	(2,760,823)
Decrease (increase) in prepayments and other receivables		**1,243,275**	(2,658,418)
(Decrease) increase in trade and bills payables		**(4,620,725)**	5,265,427
(Decrease) increase in other payables and accruals		**(830,151)**	623,816
Cash generated from operations		**13,769,892**	33,650,554
Income tax paid		**(6,148,056)**	(5,001,029)
NET CASH FROM OPERATING ACTIVITIES		**7,621,836**	28,649,525

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
INVESTING ACTIVITIES			
Purchase of financial assets at FVTOCI		**(350,429)**	(534,214)
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment		**(8,848,359)**	(5,999,147)
Placement of restricted bank deposits		**(456,479)**	(655,247)
Proceeds from disposal of an associate		**–**	104,562
Proceeds from disposal of property, plant and equipment		**50,691**	1,821,160
Settlement of other financial liabilities		**(4,497)**	–
Proceeds from disposal of non-current assets classified as held for sale		**–**	389,873
Addition to right-of-use assets		**(1,424,871)**	(650,695)
Net cash outflow arising on derecognition of a subsidiary		**–**	(8,987)
Interest received		**656,960**	729,684
Withdrawal of restricted bank deposits		**360,295**	573,471
Purchases of intangible assets		**(7,814)**	(10,931)
Addition of associates		**–**	(454,350)
Loan to an associate		**(1,044,690)**	–
Net cash outflows arising from step acquisition from associate to subsidiary	45	**–**	(361,606)
Prepayment for capital injection to the partnership		**(2,500,000)**	–
Net cash outflow on acquisition of subsidiaries	46	**(833,318)**	–
Capital injection to associates		**(2,370,021)**	(407,060)
NET CASH USED IN INVESTING ACTIVITIES		**(16,772,532)**	(5,463,487)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**23,078,057**	33,604,801
Proceeds from placing of shares		**–**	1,971,811
Proceeds from issuance of medium-term debentures and bonds		**5,000,000**	2,000,000
Proceeds from guaranteed notes		**–**	3,230,050
Proceeds from convertible bonds		**–**	1,932,616
Proceeds from issuance of short-term debentures and notes		**3,000,000**	1,500,000
Proceeds on disposal of partial interest in subsidiaries without losing control		**–**	3,802,500
Acquisition of additional interest of a subsidiary	47	**(236,500)**	–
Receipt of government grants		**16,993**	2,800
Transaction costs attributable to placing of shares		**–**	(31,701)
Transaction costs on issuance of medium-term debentures and bonds		**(27,000)**	(8,000)
Transaction costs on issue of guaranteed notes		**–**	(27,203)
Transaction costs on issue of convertible bonds		**–**	(28,525)
Transaction costs on issuance of short-term debentures and notes		**(9,000)**	(4,500)
Repayment of lease liabilities		**(18,093)**	(20,226)
Interest expense paid		**(3,558,565)**	(4,180,882)
Repayment of bank borrowings		**(24,275,087)**	(31,263,920)
Repayment of short-term debentures and bonds		**(1,500,000)**	–
Repayment of medium-term debentures and bonds		**(3,600,214)**	(25,049,381)
Repayment of guaranteed notes		**(2,032,839)**	–
Contribution from non-controlling interests		**395,210**	461,420
Dividends paid		**(9,023,408)**	(7,287,761)
NET CASH USED IN FINANCING ACTIVITIES		**(12,790,446)**	(19,396,101)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(21,941,142)**	3,789,937
Effect of changes in foreign exchange rates		**98,402**	(28,016)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**49,227,282**	45,465,361
CASH AND CASH EQUIVALENTS AT 31 DECEMBER represented by bank balances and cash		**27,384,542**	49,227,282

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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 54.

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 Special Administrative Region of the PRC ("Hong Kong"). The functional currency of a subsidiary established in Republic of Indonesia ("Indonesia") is denoted in Indonesian 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 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 2022.

Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRSs	Annual improvement to IFRSs 2018 – 2020

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

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

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

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update a reference to IFRS 3 so that it refers to Conceptual Framework for Financial Reporting issued in March 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010). 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 IFRIC 21 Levies, the acquirer applies IFRIC 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 did not have significant impact on the financial position and performance of the Group.

Impact on application of Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 Inventories.

The amendments did not have significant impact on the financial position and performance of the Group.

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 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[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 IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2024.

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

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 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of Amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to IFRS 10 and IAS 28 will not have a material impact on the Group's 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 (Continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

Amendments to IAS 1 Classification of Liabilities as Current or Non-current issued in 2020 clarify the requirements for classifying liabilities as current or non-current.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the amendments will not result in change in the classification of the Group's liabilities.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future 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 (Continued)

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with (i) the right-of-use assets and the lease liabilities and (ii) the provision for decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related assets.

As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB64,518,000 and RMB67,916,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments 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 at the measurement date 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 significant 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 Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Business combinations

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

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

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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 bargain purchase gain.

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 initially 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Business combinations (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 is set out in "interests 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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

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 interest 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.

The requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, 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. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. In applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Revenue from contracts with customers

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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.

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 steam 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 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 from the commencement date and do not contain a purchase option) 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.

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.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (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.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

Government grants related to income 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, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

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 and the Group intends to settle current tax liabilities and assets on a net basis.

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 due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 other than construction in progress 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

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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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.

If an item of property, plant and equipment and right-of-use assets become 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.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment and right-of-use assets.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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.

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 reported at cost less accumulated amortisation and accumulated impairment losses, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original martuirty of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an intergrade part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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. 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.

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income and gains' line item in profit or loss.

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 44.

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.

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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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;

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 (Continued)

Significant increase in credit risk (Continued)

- 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;

- 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 30 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 fulfil 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.

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 (Continued)

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).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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.

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 (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, e.g. when the counterparty has been placed under liquidation.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "changes in fair values of financial instruments" line item 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds

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

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

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

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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

Fair value measurement

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

As disclosed in note 16, there are properties located in the PRC of which the Group is in the process of obtaining the ownership certificate. 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 there is no legal barrier or otherwise for the Group to obtain such title ownership certificates 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 54 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") is a subsidiary of the Group even though the Group has only 26.64% (2021: 26.64%) ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange. The remaining 71.82% of the ownership interests were held by numerous shareholders that were unrelated to the Group.

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

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

Critical judgements in applying accounting policies (Continued)

Withholding tax provision on profit appropriation

The Group provides for withholding taxes on certain of its PRC subsidiaries' distributable profits generated 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 2022, the amount provided for withholding tax was approximately RMB358,097,000 (2021: RMB589,717,000). Further details are given in note 39 to the consolidated financial statements.

Key sources of estimation uncertainty

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

Impairment of goodwill allocated to Binzhou Hongnuo New Material Co. Ltd.* ("Binzhou Hongnuo New Material")濱州市宏諾新材料有限公司

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use 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. The carrying amount of goodwill allocated to Binzhou Hongnuo New Material at 31 December 2022 was approximately RMB80,418,000 (2021: RMB80,418,000). 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 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. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 were approximately RMB689,066,000 (2021: RMB771,861,000). The amount of unrecognised tax losses at 31 December 2022 was approximately RMB1,903,813,000 (2021: RMB1,742,544,000). Further details are contained in note 39.

PRC Enterprise Income Tax ("PRC EIT")

The Group's operating subsidiaries in Mainland China are subject to PRC EIT. As a result of the fact that certain matters relating to PRC EIT 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 EIT 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.

Estimated impairment 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 RMB68,060,299,000 (2021: RMB63,441,945,000), net of accumulated impairment of property, plant and equipment of approximately RMB3,687,696,000 (2021: RMB3,462,858,000) and identify if there is indication that those assets may 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 the relevant assets and with reference to fair values less costs of disposal of certain property, plant and equipment assessed by independent valuer, impairment loss on property, plant and equipment of approximately RMB224,838,000 (2021: RMB1,483,143,000) was recognised for the year ended 31 December 2022.

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 2022 are RMB68,060,299,000 (2021: RMB63,441,945,000).

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 the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking information are considered. 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 2022, the carrying amount of trade receivables was approximately RMB4,610,695,000 (2021: RMB7,284,753,000), net of allowance for impairment loss of approximately RMB6,719,000 (2021: RMB7,942,000).

Impairment assessment of interests in associates

The carrying amount of the interests in associates 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 2022, the carrying amount of interests in associates, excluding the loans to associates, was RMB8,485,882,000 (2021: RMB5,363,671,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2022 and 2021.

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

Key sources of estimation uncertainty (Continued)

Impairment assessment of loans to associates

The impairment assessment of loans to associates 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 would result in significant change in carrying amount of the loans to associates. As at 31 December 2022, the carrying amount of loans to associates amounted to RMB3,810,796,000 (2021: RMB2,701,327,000), of which RMB1,810,796,000 (2021: RMB701,327,000) is included in interests in associates. No impairment loss has been recognised in profit or loss during the years ended 31 December 2022 and 2021.

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 2022, the carrying amount of inventories and accumulated write-down of inventories was approximately RMB37,267,620,000 (2021: RMB22,705,105,000), and RMB104,712,000 (2021: RMB200,627,000) respectively.

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 amount of derivatives component of convertible bonds of approximately RMB457,010,000 (2021: RMB954,356,000) as at 31 December 2022 are set out in note 38.

5. REVENUE

An analysis of the Group's revenue were recognised at a point in time as follows:

	2022 RMB'000	2021 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	**85,833,912**	79,471,503
– aluminum alloy ingots	**10,393,059**	4,841,490
– aluminum fabrication	**13,302,321**	12,523,879
– alumina	**21,404,782**	16,966,928
Steam supply income	**765,353**	687,141
	131,699,427	114,490,941

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

	2022 RMB'000	2021 RMB'000
Geographical region		
The PRC	**123,249,928**	109,884,370
India	**1,119,007**	1,045,921
Europe	**3,133,262**	924,082
Malaysia	**256,487**	319,672
Other Southeast Asia region	**1,483,309**	646,816
North America	**1,863,564**	1,218,545
Others	**593,870**	451,535
Total	**131,699,427**	114,490,941
Type of customers		
Government related	**274**	231
Non-government related	**131,699,153**	114,490,710
Total	**131,699,427**	114,490,941
Sales channels		
Direct sales	**131,699,427**	114,490,941

Transaction price allocated to the remaining performance obligation for contracts with customers

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each year, thus the Group applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

6. SEGMENT INFORMATION

For management purposes, the Group operates only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in the PRC (including Hong Kong) and Indonesia. 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	
	2022	2021
	RMB'000	RMB'000
PRC	**82,565,449**	70,154,564
Indonesia	**6,961,867**	6,563,074
	89,527,316	76,717,638

Note: Non-current assets excluded certain financial instruments 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:

	2022	2021
	RMB'000	RMB'000
Customer A	**50,042,829**	43,828,329

7. OTHER INCOME AND GAINS

	2022 RMB'000	2021 RMB'000
Bank interest income	**193,141**	234,049
Other interest income	**208,420**	199,158
Investment income	**142,846**	182,997
Interest income from loans to associates	**156,614**	114,780
Gain from sales of raw materials and scraps materials	**1,351,888**	1,136,123
Gain from sales of slag of carbon anode blocks	**1,640,424**	973,663
Reversal of write-down of inventories (note 24)	**20,417**	39,108
Reversal of impairment of other receivables (note 27)	**–**	31,059
Reversal of impairment of trade receivables (note 25)	**1,223**	–
Reversal of impairment of property, plant and equipment (note 16)	**–**	171,717
Amortisation of deferred income (note 40)	**47,910**	40,590
Foreign exchange gain, net	**–**	393,892
Rental income for investment properties under operating lease that lease payments are fixed	**600**	7,536
Gain on early termination of lease	**–**	784
Gain on acquisition from associate to subsidiary	**–**	46,373
Gain on disposal of property, plant and equipment	**22,783**	–
Gain on bargain purchase (note 46)	**20,522**	–
Others	**122,145**	134,848
	3,928,933	3,706,677

8. OTHER EXPENSES

	2022 RMB'000	2021 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note 16)	**224,838**	1,483,143
Impairment loss recognised in respect of right-of-use assets (note 17)	**–**	77,469
Impairment loss recognised in respect of other receivables (note 27)	**82**	–
Impairment loss recognised in respect of trade receivables (note 25)	**–**	756
Write-down of inventories (note 24)	**104,127**	129,155
	329,047	1,690,523

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expenses on bank borrowings	**2,174,962**	1,826,233
Interest expenses on short-term debentures and notes	**73,311**	14,128
Interest expenses on medium-term debentures and bonds	**568,952**	1,166,171
Interest expenses on guaranteed notes	**386,610**	351,229
Interest expenses on convertible bonds	**227,377**	394,141
Interest expenses on lease liabilities	**2,833**	2,453
Total interest expense for financial liabilities not measured at FVTPL	**3,434,045**	3,754,355
Less: amounts capitalised in the cost of qualifying assets	**(414,501)**	(128,381)
	3,019,544	3,625,974

10. INCOME TAX EXPENSES

	2022 RMB'000	2021 RMB'000
Current tax:		
– PRC EIT	**2,879,599**	5,424,375
– Indonesia Corporate Income Tax	**162,180**	137,070
– Withholding tax	**47,018**	–
Over provision in prior year		
– Hong Kong Profits Tax	**–**	(20,631)
	3,088,797	5,540,814
Deferred taxation	**(291,214)**	164,321
Total income tax expenses for the year	**2,797,583**	5,705,135

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 2022 and 2021, certain PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" or enjoyed the tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2021: 15%).

10. INCOME TAX EXPENSES (Continued)

Under the Law on the Harmonization of Tax Regulations of 2021 issued, corporate income tax maintained at 22% for both years.

During the year ended 31 December 2022, an Indonesia withholding income tax of 10% levied on the Indonesia subsidiary when the dividend was paid out of profits earned to its shareholders.

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2022 and 2021 as there were no assessable profits generated during the year.

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

Under the prevailing EIT 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 rate 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.

10. INCOME TAX EXPENSES (Continued)

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	**12,606,558**	22,553,934
Tax at the domestic income tax rate of 25% (note i)	**3,151,640**	5,638,484
Tax effect of income not taxable for tax purpose	**(58,792)**	(105,788)
Tax effect of expenses not deductible for tax purpose	**406,250**	290,763
Tax effect of tax losses not recognised	**141,629**	272,613
Utilisation of tax losses previously not recognised	**(109,396)**	(57,677)
Overprovision in respect of prior years	**–**	(20,631)
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(12,586)**	7,682
Effect of income tax on concessionary rate	**(167,271)**	(54,009)
Withholding tax	**47,018**	–
Tax effect of share of profits of associates	**(125,834)**	(15,380)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries (note 39)	**(231,620)**	(38,248)
Tax effect of super deduction from research and development expenses (note ii)	**(243,455)**	(212,674)
Income tax expenses for the year	**2,797,583**	5,705,135

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

Note ii: An additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax laws and its relevant regulations.

Details of the deferred taxation are set out in note 39.

11. PROFIT FOR THE YEAR

	2022 RMB'000	2021 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 12)	**7,738**	7,579
Salaries and allowances (excluding directors' and chief executive's emoluments)	**4,184,188**	3,702,328
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	**936,043**	264,522
Total staff costs	**5,127,969**	3,974,429
Auditor's remuneration	**4,200**	4,200
Amortisation of intangible assets	**6,118**	5,765
Cost of inventories recognised as an expense	**112,452,437**	82,885,582
Depreciation of property, plant and equipment	**6,762,988**	6,516,403
Depreciation of investment properties	**3,067**	2,277
Depreciation of right-of-use assets	**178,886**	188,259
Loss on disposal of property, plant and equipment	**–**	12,982
Foreign exchange loss, net	**889,485**	–
Research and development expenses (note)	**986,162**	850,696
Gross rental income from investment properties	**600**	7,536
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**–**	–
	600	7,536

Note: Included in research and development expenses was staff cost of approximately RMB256,300,000 (2021: RMB121,293,000).

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 13 (2021: 13) directors and the chief executive were as follows:

	Executive directors				Non-executive directors					Independent non-executive directors				
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting [3] RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Li Zimin [2] (Zhang Hao as his alternative) RMB'000	Liu Xiaojun [1] (Zhang Hao as his alternative) RMB'000	Sun Dongdong [5] RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Wen Xianjun [5] RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2022														
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	500	600	-	300	-	300	150	150	200	200	4,200
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings														
Other emoluments														
– Salaries, bonus and allowances	66	177	119	2,799	155	-	-	-	131	-	-	-	-	3,447
– Retirement benefit scheme contributions	-	15	15	31	15	-	-	-	15	-	-	-	-	91
	566	992	634	3,330	770	-	300	-	446	150	150	200	200	7,738

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

	Executive directors				Non-executive directors					Independent non-executive directors				
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Wong Yuting [3] RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong [6] (Zhang Hao as his alternate) RMB'000	Li Zimin [4] (Zhang Hao as his alternative) RMB'000	Sun Dongdong [5] RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Wen Xianjun [5] RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2021														
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	183	600	300	22	278	248	200	200	200	165	4,196
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings														
Other emoluments														
– Salaries, bonus and allowances	62	166	99	2,739	126	–	–	–	104	–	–	–	–	3,296
– Retirement benefit scheme contributions	–	15	14	30	14	–	–	–	14	–	–	–	–	87
	562	981	613	2,952	740	300	22	278	366	200	200	200	165	7,579

1. Appointed on 29 December 2022.
2. Resigned on 29 December 2022.
3. Appointed on 20 August 2021.
4. Appointed on 27 January 2021.
5. Appointed on 5 March 2021.
6. Resigned on 27 January 2021.

During the year ended 31 December 2022, except for one non-executive director waived emoluments of RMB300,000, none of the chief executive nor other directors waived any emoluments during the years ended 31 December 2022 and 2021.

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

The performance related bonus is determined by the Group having regard to the directors' performance and the prevailing market conditions.

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

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

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2022 and 2021.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2021: 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 (2021: three) individuals were as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	**5,035**	3,361
Retirement benefits scheme contributions	**63**	99
	5,098	3,460

Their emoluments were within the following bands:

	No. of employee	
	2022	2021
Nil to HK$1,000,000 (nil to approximately RMB859,000)	**1**	1
HK$1,000,001 to HK$1,500,000 (approximately RMB859,001 to RMB1,288,000)	**1**	2
HK$3,000,001 to HK$3,500,000 (approximately RMB2,576,001 to RMB3,006,000)	**1**	–
	3	3

14. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends recognised as distribution during the year:		
2022 Interim dividend – HK41 cents		
(2021: 2021 interim dividend HK45 cents) per share	**3,513,331**	3,736,188
2021 Final dividend – HK60 cents		
(2021: 2020 final dividend HK50 cents) per share	**4,712,320**	3,448,295
	8,225,651	7,184,483

Subsequent to the end of the reporting period, a final dividend of HK10 cents per share in respect of the year ended 31 December 2022, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

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:

	2022 RMB'000	2021 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**8,701,953**	16,073,342
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**–**	394,141
Changes in fair values of derivatives component of convertible bonds	**–**	117,350
Exchange gain on translation of convertible bonds	**–**	(55,277)
Earnings for the purpose of diluted earnings per share	**8,701,953**	16,529,556

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**9,299,172**	9,070,755
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	585,087
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**9,299,172**	9,655,842

The computation of diluted earnings per share for the year ended 31 December 2022 did not assume the conversion of the Company outstanding convertible bonds since their exercise would result in an increase in earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Aircraft RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2021	40,195,599	60,870,268	91,971	73,728	–	3,944,007	105,175,573
Additions	132,031	201,133	3,833	26,011	353,851	4,791,158	5,508,017
Transfer	540,066	1,218,767	2,748	–	–	(1,761,581)	–
Acquired on step acquisition from associate to subsidiary (note 45)	36,287	4,619	134	–	–	1,408,809	1,449,849
Disposals	(78,064)	(1,026,279)	(514)	(7,101)	–	–	(1,111,958)
Exchange realignment	(80,654)	(28,617)	(397)	(149)	(58)	(24,045)	(133,920)
At 31 December 2021 and 1 January 2022	40,745,265	61,239,891	97,775	92,489	353,793	8,358,348	110,887,561
Additions	1,341,101	339,980	25,531	20,802	–	8,322,205	10,049,619
Acquired on acquisition from subsidiaries (note 46)	234,250	945,782	–	–	–	–	1,180,032
Transfer	5,191,713	4,318,774	–	–	–	(9,510,487)	–
Transfer to investment properties (note 19)	(40,305)		–	–	–	–	(40,305)
Disposals	(110,938)	(1,193,686)	–	–	–	–	(1,304,624)
Exchange realignment	438,598	167,283	2,088	919	2,838	–	611,726
At 31 December 2022	47,799,684	65,818,024	125,394	114,210	356,631	7,170,066	121,384,009
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2021	11,013,188	28,863,398	75,968	46,392	–	426,266	40,425,212
Provided for the year	1,546,805	4,950,326	8,975	6,365	3,932	–	6,516,403
Impairment loss recognised in profit or loss	1,022,839	460,304	–	–	–	–	1,483,143
Reversal of impairment loss	(74,794)	(96,845)	–	(78)	–	–	(171,717)
Eliminated on disposals	(26,602)	(745,402)	(421)	(5,391)	–	–	(777,816)
Exchange realignment	(19,403)	(9,764)	(299)	(93)	(50)	–	(29,609)
At 31 December 2021 and 1 January 2022	13,462,033	33,422,017	84,223	47,195	3,882	426,266	47,445,616
Provided for the year	2,048,208	4,668,852	11,947	8,673	25,308	–	6,762,988
Impairment loss recognised in profit or loss	126,886	97,952	–	–	–	–	224,838
Eliminated on disposals	(92,836)	(1,183,880)	–	–	–	–	(1,276,716)
Exchange realignment	108,989	55,492	1,607	753	143	–	166,984
At 31 December 2022	15,653,280	37,060,433	97,777	56,621	29,333	426,266	53,323,710
CARRYING VALUES							
At 31 December 2022	32,146,404	28,757,591	27,617	57,589	327,298	6,743,800	68,060,299
At 31 December 2021	27,283,232	27,817,874	13,552	45,294	349,911	7,932,082	63,441,945

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
Aircraft	15 years

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

At 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB12,069,053,000 (2021: RMB11,803,565,000) were pledged to secure bank borrowings of the Group (note 34).

There are properties with a carrying amount of approximately RMB6,121,762,000 (2021: RMB4,511,766,000) 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.

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. The carrying values of these individual plants were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparison approach is used to measure the fair value less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets.

During the year ended 31 December 2022, due to certain new local incentive policy launched, the directors of the Company conducted a study and further relocated certain manufacturing plants to enjoy such benefits. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets that subject to the relocation plan were impaired to their recoverable amount of approximately RMB2,440,906,000, which was their carrying values at year end and the impairment of RMB224,838,000 had been recognised in profit or loss within the relevant functions to which these assets relate during the year ended 31 December 2022.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2021, due to the relocation of certain manufacturing plants, the directors of the Company conducted a review and determined that a number of those assets were impaired. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets were impaired to their recoverable amount of approximately RMB2,376,345,000, which was their carrying values at year end and the impairment of RMB1,483,143,000 had been recognised in profit or loss within the relevant functions to which these assets relate during the year ended 31 December 2021.

The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy which were estimated with reference to the market prices of similar assets after considering the conditions of these assets and the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The valuations carried out on 31 December 2022 and 2021 were 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 property, plant and equipment in the relevant industries.

The Group recognised an amount of approximately RMB171,717,000 in respect of the reversal of impairment loss of property, plant and equipment which were subsequent sold at profit during the year ended 31 December 2021. No such reversal of property, plant and equipment was recognised during the year ended 31 December 2022.

There were no transfers between levels of fair value hierarchy during the year.

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 2021	5,895,636	116,630	20,988	6,033,254
Additions	228,745	19,891	–	248,636
Acquired on step acquisition from associate to subsidiary (note 45)	112,264	–	–	112,264
Transfer to investment properties (note 19)	(191,369)	–	–	(191,369)
Transfer from investment properties (note 19)	164,376	–	–	164,376
Early termination of lease	–	(39,159)	–	(39,159)
Modification of lease term	–	6,054	–	6,054
Exchange realignment	(502)	(104)	(798)	(1,404)
At 31 December 2021 and 1 January 2022	6,209,150	103,312	20,190	6,332,652
Additions	1,966,081	1,854	22,469	1,990,404
Acquired on acquisition of subsidiaries (note 46a)	140,479	–	–	140,479
Exchange realignment	2,360	–	(66)	2,294
At 31 December 2022	8,318,070	105,166	42,593	8,465,829
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
As at 1 January 2021	332,472	41,155	13,076	386,703
Depreciation for the year	165,095	15,403	7,761	188,259
Early termination of lease	–	(12,452)	–	(12,452)
Impairment loss recognised in profit or loss	77,469	–	–	77,469
Transfer to investment properties (note 19)	(24,961)	–	–	(24,961)
Exchange realignment	–	(84)	(647)	(731)
At 31 December 2021 and 1 January 2022	550,075	44,022	20,190	614,287
Depreciation for the year	159,835	11,561	7,490	178,886
Exchange realignment	–	–	(22)	(22)
At 31 December 2022	709,910	55,583	27,658	793,151
CARRYING VALUES				
At 31 December 2022	7,608,160	49,583	14,935	7,672,678
At 31 December 2021	5,659,075	59,290	–	5,718,365

17. LEASES (Continued)

(i) Right-of-use assets (Continued)

As at 31 December 2022, right-of-use assets of RMB7,608,160,000 (2021: RMB5,659,075,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. As at 31 December 2022, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB1,300,343,000 (2021: RMB303,713,000). 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.

During the year ended 31 December 2021, the Group terminated the lease of two office premises and derecognised right-of-use assets and lease liabilities of approximately RMB26,707,000 and RMB27,491,000 respectively, resulting in a gain on early termination of lease of approximately RMB784,000 being recognised in profit or loss.

During the year ended 31 December 2021, due to the sale and purchase of two land use rights within the group entities, the directors of the Company have conducted a review of the two land use rights and determined that they were impaired. The recoverable amounts of the two land use rights were determined on the basis of their fair value less costs of disposal. Market comparison approach is used to measure the fair value less costs of disposal of the land use rights which is based on the recent transaction prices for similar land use rights adjusted for nature, location and conditions of the land use rights. The fair value measurement is categorised into Level 2 fair value hierarchy. The relevant assets were impaired to their recoverable amount of approximately RMB539,951,000, which was their carrying values at year end and the impairment of RMB77,469,000 had been recognised in profit or loss within the relevant functions to which these assets relate.

The recoverable amounts of the two land use rights at 31 December 2021 were arrived at on the basis of a valuation carried out on that date by Shandong Xintiandi Assets Appraisal Co., Ltd. * ("Shandong Xintiandi") 山東新天地土地房地產資產評估有限公司, an independent qualified professional valuer not connected with the Group. Shandong Xintiandi has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations. There were no transfers between levels of fair value hierarchy during the year.

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 (2021: ranged from 2 to 20 years).

At 31 December 2022, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB556,345,000 (2021: RMB499,916,000) were pledged to secure bank borrowings of the Group (note 34).

* The English translation is for reference only.

17. LEASES (Continued)

(ii) Lease liabilities

	2022 RMB'000	2021 RMB'000
Non-current	**51,755**	51,359
Current	**16,161**	10,372
	67,916	61,731

Amounts payable under lease liabilities

	2022 RMB'000	2021 RMB'000
Within one year	**16,161**	10,372
After one year but within two years	**12,800**	7,891
After two years but within five years	**5,997**	12,409
After five years	**32,958**	31,059
	67,916	61,731
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(16,161)**	(10,372)
Amount due for settlement after 12 months	**51,755**	51,359

During the year ended 31 December 2022, the Group entered into a new lease agreement in respect of office premises and a vessels and recognised lease liability of approximately RMB24,323,000 (2021: a new lease agreement in respect of factory and modified a lease agreement for office premises of approximately RMB25,945,000).

(iii) Amounts recongised in profit or loss

	Year ended	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Interest expense on lease liabilities	**2,833**	2,453

17. LEASES (Continued)

(iv) Others

During the year ended 31 December 2022, the total cash outflow for leases amounted to approximately RMB20,926,000 (2021: RMB22,679,000).

Restrictions or covenants on leases

As at 31 December 2022, lease liabilities of RMB67,916,000 are recognised with related right-of-use assets of RMB64,518,000 (2021: lease liabilities of RMB61,731,000 and related right-of-use assets of RMB59,290,000). The lease agreements do not impose any covenants and restriction.

18. INTANGIBLE ASSETS

	Patents RMB'000
COST	
At 1 January 2021	**39,603**
Additions	**10,931**
At 31 December 2021 and 1 January 2022	**50,534**
Additions	**7,814**
At 31 December 2022	**58,348**
ACCUMULATED AMORTISATION	
At 1 January 2021	**12,174**
Provided for the year	**5,765**
At 31 December 2021 and 1 January 2022	**17,939**
Provided for the year	**6,118**
At 31 December 2022	**24,057**
CARRYING VALUES	
At 31 December 2022	**34,291**
At 31 December 2021	**32,595**

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.

19. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2021	**4,188**
Transfer from right-of-use assets (note 17)	**166,408**
Transfer to right-of-use assets (note 17)	**(166,408)**
At 31 December 2021 and 1 January 2022	**4,188**
Transfer from property, plant and equipment (note 16)	**40,305**
At 31 December 2022	**44,493**
ACCUMULATED DEPRECIATION	
At 1 January 2021	**135**
Provided for the year	**2,277**
Transfer to right-of-use assets (note 17)	**(2,032)**
At 31 December 2021 and 1 January 2022	**380**
Provided for the year	**3,067**
At 31 December 2022	**3,447**
CARRYING VALUES	
At 31 December 2022	**41,046**
At 31 December 2021	**3,808**

During the year ended 31 December 2022, the Group transferred a property with carrying amount of approximately RMB40,305,000 from property, plant and equipment to investment property due to the change in use, which evidenced by inception of an operating lease to another party.

During the year ended 31 December 2021, the Group transferred a land with carrying amounts of approximately RMB166,408,000 from right-of-use assets to investment property due to the change in use, which evidenced by inception of an operating lease to another party. Such investment property were then transferred to the right-of-use assets upon early termination of the operating lease.

The fair value of the Group's investment properties as at 31 December 2022 was approximately RMB51,509,000 (2021: RMB7,340,000). The fair value has been arrived at with reference to a valuation carried out by ZhongJing Minxin (Beijing) Assets Appraisal Co., Ltd. and Wanlong, an independent qualified professional valuer, not connected to the Group. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The above investment properties are depreciated on a straight-line basis over the terms of the lease of 20 years.

The fair value hierarchy as at 31 December 2022 and 2021 of the investment properties of the Group were at Level 1 or 3. There were no transfers between levels of fair value hierarchy during the year.

19. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties as at 31 December 2022 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2022 RMB	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Investment property A	Level 3	RMB6,950,000 (2021: RMB7,340,000)	Income approach- by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value
Investment property B	Level 3	RMB38,737,000 (2021: nil)	Income approach- by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value

20. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Costs of investments in associates	**5,754,374**	3,360,435
Share of profits and other comprehensive income, net of dividends received	**2,731,508**	2,003,236
	8,485,882	5,363,671
Loans to associates	**1,810,796**	701,327
	10,296,678	6,064,998

The loan to an associate of US$110,000,000, equivalent to approximately RMB766,106,000, (2021: US$110,000,000, equivalent to approximately RMB701,327,000) is unsecured, interest-free and no fixed term for repayment.

The remaining loans to associates of US$150,000,000, equivalent to approximately RMB1,044,690,000 (31 December 2021: nil) is unsecured, carried interest at London Interbank Offered Rate ("LIBOR") + 5% and no fixed term for repayment.

20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2022 and 2021, 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
					2022	2021	**2022**	2021	
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%	Trading of aluminium ingot
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
Shandong Weiqiao Kuaike Environmental Protection Technology Co., Ltd.* 山東魏橋快刻環保科技有限公司	Incorporated	PRC	PRC	Ordinary	**40%**	40%	**40%**	40%	Green facilities innovation
Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy") *鄒平濱能能源科技有限公司	Incorporated	PRC	PRC	Ordinary	**45%**	45%	**45%**	45%	Trading of electricity
Shandong Zhilu High Performance Alloy Material Co., Ltd. * 山東智鋁高性能合金材料有限公司	Incorporated	PRC	PRC	Ordinary	**35%**	35%	**35%**	35%	Trading of light alloy materials
Shandong Weiqiao Haiyi Environmental Protection Technology Co., Ltd. ("Weiqiao Haiyi") *山東魏橋海逸環保科技有限公司	Incorporated	PRC	PRC	Ordinary	**30%**	30%	**30%**	30%	Waste recycling
Winning Consortium Simandou Railway Pte. Ltd. ("WCSR")	Incorporated	Singapore	Singapore	Ordinary	**35%**	35%	**35%**	35%	Railway operation

20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2022 and 2021, the Group had interests in the following material associates: (Continued)

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
					2022	2021	**2022**	2021	
Winning Consortium Simandou Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**35%**	35%	**35%**	35%	Trading of iron ore
Winning Consortium Simandou Ports Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**35%**	35%	**35%**	35%	Ports operation
Shandong High-end Aluminum Community Management Operation Co., Ltd.. * ("Shandong High-end Aluminum Community") 山東省高端鋁共同體管理運營有限公司	Incorporated	PRC	PRC	Ordinary	**19.27%**	19.27%	**28.57% (note i)**	28.57% (note i)	Research and development of high-end aluminum
Lightweight (Shandong) Investment Partnership (Limited Partnership) * ("Lightweight Partnership") 輕量化(山東)投資合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	**49.5%**	49.5%	**49.5%**	49.5%	Investment holding
Shandong Binhong Photovoltaic New Energy Co., Ltd * 山東濱宏光伏新能源有限公司	Incorporated	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Manufacturing of photovoltaic equipment and components
Beijing Honghua Science and Technology Innovation No. 1 Enterprise Management Partnership (Limited Partnership) * (Beijing Honghua Partnership) 北京宏華科創一號企業管理合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	**46.7%**	46.7%	**46.7%**	46.7%	Investment holding

Note:

i. The Group is able to exercise significant influence over Shandong High-end Aluminum Community because it has the power to appoint two out of the seven directors of that company under the provisions stated in the Articles of Association of that company.

* The English translation is for reference only.

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

	2022 RMB'000	2021 RMB'000
Current assets	**11,291,743**	8,585,780
Non-current assets	**562**	616
Current liabilities	**(2,103,461)**	(1,853,119)
Non-current liabilities	**(766,106)**	(701,327)
Revenue	**8,626,720**	5,964,689
Profit for the year	**1,747,531**	698,392
Other comprehensive income (expense) for the year	**643,257**	(119,098)
Total comprehensive income for the year	**2,390,788**	579,294
Elimination of unrealised profits	**(42,377)**	(84,689)

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

	2022 RMB'000	2021 RMB'000
Net assets of the associate	**8,422,738**	6,031,950
Proportion of the Group's ownership interest in ABM	**25%**	25%
Carrying amount of the Group's interest in ABM	**2,105,685**	1,507,988

Binneng Energy

	2022 RMB'000	2021 RMB'000
Non-current assets	**11,316,655**	11,900,941
Current assets (note)	**10,562,414**	6,732,286
Non-current liabilities	**(7,259,575)**	(7,238,072)
Current liabilities	**(3,808,131)**	(5,698,583)
Revenue	**14,997,738**	12,340,113
Profit (loss) for the year and total comprehensive income (expense) for the year	**114,791**	(194,526)
Elimination of unrealised profits	**–**	18,810

20. INTERESTS IN ASSOCIATES (Continued)

Binneng Energy (Continued)

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

	2022 RMB'000	2021 RMB'000
Net assets of the associate	**10,811,363**	5,696,572
Proportion of the Group's ownership interest in Binneng Energy	**45%**	45%
Carrying amount of the Group's interest in Binneng Energy	**4,865,113**	2,563,457

Note: As at 31 December 2022, the balances mainly comprised of receivable of unpaid registered capital by another shareholder, amounting to RMB2,750,000,000. The entire amount of receivable have been settled in February and March 2023.

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:

	2022 RMB'000	2021 RMB'000
The Group's share of profit	**61,813**	36,581
The Group's share of other comprehensive expense	**17,106**	(2,295)
The Group's share of total comprehensive income	**78,919**	34,286
Elimination of realised profits	**(4,640)**	3,756

	2022 RMB'000	2021 RMB'000
Carrying amount of the Group's interests in immaterial associates	**1,515,084**	1,292,226

Notes:

(a) During the year ended 31 December 2022, the Group contributed in existing associates with an aggregate amount of approximately RMB2,370,021,000.

During the year ended 31 December 2021, the Group acquired certain associates and contributed in existing associates with an aggregate amount of approximately RMB454,350,000 and RMB407,060,000 respectively.

(b) During the year ended 31 December 2021, the Group disposed of 14.13% interest in Suzhou Aojie Auto Technology Co., Ltd.* 蘇州奥傑汽車技術股份有限公司, an associate of the Group, to Lightweight (Shandong) Investment Partnership (Limited Partnership), another associate of the Group, for a consideration of RMB104,562,000. Both are associates of the Group. No gain or loss was recognised in profit or loss for the year ended 31 December 2021.

21. LOAN TO AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Non-current portion		
Loan to an associate	**2,000,000**	2,000,000

The loan to an associate was secured by plant and equipment of the associate, bearing interest at 6% (2021: 6%) per annum and repayable in June 2025. Such loan was secured by certain plant and equipment held by Binneng Energy.

22. GOODWILL

	2022 RMB'000	2021 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
IMPAIRMENT		
At beginning and the end of the financial year	**1,656,233**	1,656,233
CARRYING AMOUNT		
At 31 December	**278,224**	278,224

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

Impairment test on goodwill

For the purposes of impairment testing, the carrying amount of goodwill has been allocated to the following CGUs:

	2022 RMB'000	2021 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Binzhou Municipal Xinhe New Material Co., Ltd* ("Beihai Xinhe") 濱州市北海信和新材料有限公司)	**–**	–
Manufacture and selling of aluminum products in Binzhou, the PRC (Binzhou Hongnuo New Material)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**197,806**	197,806
	278,224	278,224

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

* The English translation is for reference only.

22. GOODWILL (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Binzhou Hongnuo New Material

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 5-year period, and a pre-tax discount rate of 20.94% (2021: 21.33%). Binzhou Hongnuo New Material's cash flows beyond the 5-year period are extrapolated using a 3% 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.

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 Binzhou Hongnuo New Material to exceed the aggregate recoverable amount of Binzhou Honguo New Material.

During the years ended 31 December 2022 and 2021, no impairment loss recognised in relation to goodwill arising on acquisition of Binzhou Hongnuo New Material.

Hongchuang

The recoverable amount of this CGU has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang and relevant transaction costs.

The fair value hierarchy as at 31 December 2022 and 2021 of Hongchuang are at Level 1. There were no transfers between levels of fair value hierarchy during the year.

During the years ended 31 December 2022 and 2021, no impairment loss was recongised in relation to goodwill arising on acquisition of Hongchuang.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

Financial assets at FVTOCI comprise:

	2022 RMB'000	2021 RMB'000
Equity instruments as at FVTOCI		
– Listed	**1,442,588**	904,278
– Unlisted	**100,000**	154,628
	1,542,588	1,058,906

The fair value of these investments is disclosed in note 44.

The investments in listed equity securities are as follows:

Name of listed equity securities	Place of listing	Fair value	
		2022 RMB'000	2021 RMB'000
Weihai City Commercial Bank Co., Ltd	Hong Kong	**761,672**	724,946
Bank of Jinzhou	Hong Kong	**166,243**	179,332
Innovation New Material Technology Co., Ltd. ("Innovation New Material")	Shanghai	**264,244**	–
Thunder Software Technology Co., Ltd.	Shenzhen	**249,446**	–
Others	Hong Kong	**983**	–
		1,442,588	904,278

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI") (Continued)

As at 31 December 2021, the investment in unlisted equity security represents the Group's interest in a private entity established in the PRC which engaged in casting aluminium alloy. The Group entered into an equity transfer agreement with an independent third party pursuant to which the Group has agreed to transfer the entire equity interest in that unlisted entity into shares of Innovation New Material in 2022. At the date of transfer, the fair value of such unlisted equity security is approximately RMB286,483,000, resulting a fair value gain of approximately RMB131,855,000.

During the year ended 31 December 2022, the Group acquired equity interest in a private entity established in the PRC of approximately RMB100,000,000 (2021: nil). The private entity is engaged in development and application of semiconductor materials.

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

	2022 **RMB'000**	2021 RMB'000
Raw materials	**25,599,366**	13,994,772
Work in progress	**10,266,517**	8,151,882
Finished goods	**1,401,737**	558,451
	37,267,620	22,705,105

During the year ended 31 December 2022, the write-down of inventories of approximately RMB104,127,000 (2021: RMB129,155,000) was recognised and included in other expenses.

During the year ended 31 December 2022, there was a change in allowance of approximately RMB179,625,000 (2021: nil) for inventories due to elimination of allowances upon the subsequent sales of inventories during the year.

During the year ended 31 December 2022, there was an increase in the net realised value of finished goods due to market condition. As a result, a reversal of write-down of inventories of approximately RMB20,417,000 (2021: RMB39,108,000) was recognised and included in other income and gains.

25. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**4,617,414**	7,292,695
Less: allowance for impairment losses	**(6,719)**	(7,942)
	4,610,695	7,284,753

As at 1 January 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB10,342,754,000..

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, net of allowance for impairment of trade receivables presented based on the date of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Within 3 months	**4,009,740**	5,667,769
3 to 12 months	**597,180**	1,613,686
12 to 24 months	**3,775**	3,298
	4,610,695	7,284,753

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant. As at 31 December 2022, lifetime ECL of approximately RMB6,719,000 (2021: RMB7,942,000) was made in respect of trade receivables with gross amount of RMB6,719,000 (2021: RMB7,942,000) as they are determined to be credit-impaired which aged over 3 years. For the remaining balance of approximately RMB4,610,695,000 (2021: RMB7,284,753,000), 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.

25. TRADE RECEIVABLES (Continued)

The provision matrix of trade receivables is set out below:

For the year ended 31 December 2022

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	**0%**	**0.001%**	**0.001%**	**0.011%**	**20.045%**	**100%**	
Gross carrying amount (RMB'000)	**4,495,349**	**105,083**	**6,488**	**3,775**	**–**	**6,719**	**4,617,414**
Lifetime ECL (RMB'000)	**–**	**–**	**–**	**–**	**–**	**6,719**	**6,719**

For the year ended 31 December 2021

	Trade receivables days past due						
	Current	1-3 months past due	3-12 months past due	12-24 months past due	24-36 months past due	More than 36 months past due	Total
ECL rate	0%	0.009%	0.008%	2.933%	50.277%	100%	
Gross carrying amount (RMB'000)	6,691,921	557,539	31,995	3,298	–	7,942	7,292,695
Lifetime ECL (RMB'000)	–	–	–	–	–	7,942	7,942

The movement in the allowance for impairment of trade receivables is set out below:

	2022 RMB'000	2021 RMB'000
At 1 January	**7,942**	7,186
Reversal of impairment loss	**(1,223)**	–
Impairment loss recognised	**–**	756
At 31 December	**6,719**	7,942

26. BILLS RECEIVABLES

	2022 **RMB'000**	2021 RMB'000
Bills receivables	**5,573,175**	11,918,515

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

	2022 **RMB'000**	2021 RMB'000
Within 3 months	**3,465,918**	6,653,877
3 to 6 months	**2,007,257**	4,864,308
Over 6 months	**100,000**	400,330
	5,573,175	11,918,515

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significant difficulties in recovering these bills receivables before their due dates, no loss allowance was provided on the Group's bills receivables for the years ended 31 December 2022 and 2021.

27. PREPAYMENTS AND OTHER RECEIVABLES

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

	2022 RMB'000	2021 RMB'000
Prepayments to suppliers	**5,649,621**	3,240,549
Prepayments to an associate (note (i))	**661,035**	3,626,005
Value-added tax recoverable	**2,968,063**	2,974,375
Prepayment for acquisition of right-of-use assets	**–**	541,210
Prepayment for capital injection to the partnership (note (ii))	**2,500,000**	–
Receivables arising from dealing with futures	**213,591**	317,691
Factoring receivables (note (iii))	**386,147**	323,934
Interest receivables	**68,587**	24,526
Others	**131,537**	288,354
	12,578,581	11,336,644
Less: allowance for impairment losses	**(27,020)**	(26,938)
	12,551,561	11,309,706
Analysed as		
Current	**10,051,561**	10,768,496
Non-current	**2,500,000**	541,210
	12,551,561	11,309,706

Notes:

(i) 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.

(ii) During the year ended 31 December 2022, the Group subscribed 48.92% interest in Binzhou Wenxian Huaxin Enterprise Management Partnership (Limited Partnership)* 濱州文賢華鑫企業管理合夥企業(有限合夥). The principal activity of the investee is engaged in provision of business consulting services. The establishment of the partnership was completed on 29 January 2023.

(iii) The factoring receivables will be received within one year and carrying interest rate of 10% per annum.

* The English translation is for reference only.

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 2022

	Gross carrying amount RMB'000	**Loss allowance RMB'000**	**Net carrying amount RMB'000**
Other receivables – Default	**26,441**	**(26,441)**	**–**
Other receivables – Performing	**773,421**	**(579)**	**772,842**
	799,862	**(27,020)**	**772,842**

For the year ended 31 December 2021

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	26,039	(26,039)	–
Other receivables – Performing	928,466	(899)	927,567
	954,505	(26,938)	927,567

The movement in the impairment allowance for other receivables during the year are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	**26,938**	57,997
Reversal of impairment loss	**–**	(31,059)
Impairment loss recognised	**82**	–
At 31 December	**27,020**	26,938

28. FINANCIAL ASSET AT AMORTISED COST

	2022 RMB'000	2021 RMB'000
Financial asset at amortised cost		
Collective investment trust (note)	**2,499,000**	2,499,000

Note: The collective investment trust represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. ("CITIC Trust") *中信信托有限責任公司 with an original maturity date on 3 January 2022 and carries fixed interest rate of 7.22% per annum. In November 2021, the asset income trust was extended to January 2025 and carries fixed interest rate of 5.78% per annum starting from January 2022.

* The English translation is for reference only.

29. OTHER FINANCIAL ASSET/LIABILITY

	2022 RMB'000	2021 RMB'000
Other financial asset		
Interest rate swaps contract	**2,122**	99
Other financial liability		
Capped forward contract	**–**	4,497

Major terms of the interest rate swaps are as follows:

31 December 2022 and 2021

Notional amount	Maturity	Swaps
US$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US$-LIBOR

Major terms of the capped forward contract are as follows:

31 December 2021

Notional amount	Maturity	Exchange rate
US$10,000,000	20 July 2022	Buy US$/Sell RMB at 6.90 to 7.01

30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**27,384,542**	49,227,282
Restricted bank deposits	**1,720,058**	1,623,874
	29,104,600	50,851,156
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,293,305)**	(1,106,220)
– pledged for issuance of letter of credit	**(349,210)**	(237,075)
– pledged for guarantee issued	**(77,543)**	(280,579)
Cash and cash equivalents	**27,384,542**	49,227,282

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 short-term time deposits are deposited with creditworthy banks with no recent history of default.

Bank balances and short-term time deposits carry interest at market rates which ranged from 0.06% to 1.70% (2021: 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 0.06% to 1.75% (2021: 0.05% to 1.55%) per annum.

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 44.

31. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2022 RMB'000	2021 RMB'000
Changes in fair values of arising from:		
– capped forward contract	–	(2,649)
– interest rate swaps contracts	2,023	3,193
– derivatives component of convertible bonds (note 38)	(187,004)	(117,350)
	(184,981)	(116,806)

32. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables to third parties	10,166,118	15,145,101
Trade payables to associates	2,457,710	1,065,148
Trade payables to related parties	70,003	69,157
	12,693,831	16,279,406
Bills payables	2,217,171	2,455,810
	14,911,002	18,735,216

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Within 6 months	11,980,729	15,981,498
6 to 12 months	443,244	159,869
1 to 2 years	235,369	82,229
More than 2 years	34,489	55,810
	12,693,831	16,279,406

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

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

33. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Payables on property, plant and equipment	**4,738,260**	3,943,894
Retention payables	**2,142,218**	2,065,755
Accrued payroll and welfare (note (i))	**952,284**	685,650
Contract liabilities (note (ii))	**1,757,470**	1,767,103
Dividend payables	**11**	9
Interest payable	**486,456**	610,976
Other taxes payables	**1,562,547**	1,699,775
Others	**717,912**	706,797
	12,357,158	11,479,959

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2022 were accrued directors payroll and welfare of approximately RMB4,200,000 (2021: RMB4,174,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) Contract liabilities include advances received to deliver goods. As at 1 January 2021, contract liabilities amounted to RMB1,248,332,000.

Revenue recongised during the year ended 31 December 2022 that was included in the contract liabilities at the beginning of the year is approximately RMB1,767,103,000 (2021: RMB1,248,332,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior years.

34. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Current		
Secured bank borrowings (note (iii))	**7,990,204**	3,085,699
Unsecured bank borrowings (note (i))	**22,543,646**	17,925,174
	30,533,850	21,010,873
Non-current		
Secured bank borrowings (note (iii))	**842,748**	6,401,495
Unsecured bank borrowings (note (i))	**4,151,161**	8,969,383
	4,993,909	15,370,878
	35,527,759	36,381,751

34. BANK BORROWINGS (Continued)

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

	2022 RMB'000	2021 RMB'000
Within one year	**30,033,851**	21,010,873
In the second year	**2,574,570**	9,187,595
In the third to fifth years, inclusive	**940,000**	4,859,769
Over fifth years	**1,979,338**	1,323,514
	35,527,759	36,381,751

	2022 RMB'000	2021 RMB'000
Amounts shown under current liabilities	**30,533,850**	21,010,873
Amounts shown under non-current liabilities	**4,993,909**	15,370,878
	35,527,759	36,381,751

	2022 RMB'000	2021 RMB'000
Fixed-rate borrowings	**25,178,310**	22,249,949
Variable-rate borrowings	**10,349,449**	14,131,802
	35,527,759	36,381,751

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

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	**1.53% to 5.67%**	1.23% to 5.22%
Variable-rate borrowings	**3.60% to 9.29%**	3.50% to 8.50%

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 LIBOR. Details of impact on interest rate benchmark reform – phase 2 are set out in note 44.

34. BANK BORROWINGS (Continued)

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

	2022 RMB'000	2021 RMB'000
US$	**7,623,820**	7,828,707

Notes:

(i) Bank borrowings of approximately RMB4,689,242,000 (2021: RMB960,000,000) are guaranteed by a related party and set out in note 50.

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

	2022 RMB'000	2021 RMB'000
Floating rate		
– expiring within one year	**26,998,583**	22,524,902

(iii) Secured bank borrowings of the Group are secured by the Group's property, plant and equipment and right-of-use assets which were set out in notes 16 and 17 respectively.

35. SHORT-TERM DEBENTURES AND NOTES

	2022 RMB'000	2021 RMB'000
Short-term debentures and notes	**3,000,000**	1,500,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2022 and 2021 are set out as follows:

Debentures	Date of issue	Principal amount		Interest rate	Date of maturity
		2022 RMB'000	2021 RMB'000		
Short-term debentures A	12 November 2021	**–**	1,000,000	3.98%	12 November 2022
Short-term debentures B	21 October 2021	**–**	500,000	4.10%	21 October 2022
Short-term debentures C	22 July 2022	**1,000,000**	–	3.55%	22 July 2023
Short-term debentures D	19 August 2022	**1,000,000**	–	3.47%	19 August 2023
Short-term debentures E	23 September 2022	**1,000,000**	–	3.69%	23 September 2023

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.

36. MEDIUM-TERM DEBENTURES AND BONDS

	2022 RMB'000	2021 RMB'000
Amounts within one year	**8,507,112**	3,598,649
Amounts after one year	**5,960,847**	9,544,944
	14,467,959	13,143,593

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2022 and 2021 are set out as follows:

Debentures	Date of issue	Principal amount 2022 RMB'000	Principal amount 2021 RMB'000	Coupon interest rate	Effective interest rate	Date of maturity
Unlisted						
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 P	12 July 2019	**–**	600,000	7.00%	7.24%	12 July 2022
Medium-term debentures Q	14 January 2022	**1,000,000**	–	4.50%	4.80%	14 January 2024
Medium-term debentures R	18 March 2022	**1,000,000**	–	4.50%	4.80%	18 March 2024
Listed						
Enterprise bonds C	26 October 2015	**–**	214	6.26%	6.26%	26 October 2022
Enterprise bonds K	17 October 2016	**5,521,045**	5,521,045	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	**2,000,000**	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds M	11 June 2021	**500,000**	500,000	4.90%	5.05%	11 June 2023
Enterprise bonds N	11 June 2021	**500,000**	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	**1,000,000**	1,000,000	4.16%	4.26%	20 August 2024
Enterprise bonds P	13 June 2022	**1,000,000**	–	4.30%	4.52%	13 June 2025
Enterprise bonds Q	3 August 2022	**1,000,000**	–	4.50%	4.60%	3 August 2025
Enterprise bonds R	3 November 2022	**1,000,000**	–	4.00%	4.12%	3 November 2027

Debentures were issued to various independent third parties according to the approvals issued by NAFMII and all of the debentures carry interest at fixed rate.

Enterprise bonds were issued according to the approvals issued by National Development and Reform Commission and are listed on Shanghai Stock Exchange and carry interest at coupon rate with the issuer's option to adjust the rate at pre-agreed dates.

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.

37. GUARANTEED NOTES

	2022 RMB'000	2021 RMB'000
Amounts shown under current liabilities	**1,392,893**	1,908,945
Amounts shown under non-current liabilities	**3,450,755**	4,423,886
	4,843,648	6,332,831

2022 Guaranteed Notes

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 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.

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.

On 22 July 2022, the Company has redeemed the 2022 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

37. GUARANTEED NOTES (Continued)

2023 Guaranteed Notes

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:

(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 was 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 year end date.

37. GUARANTEED NOTES (Continued)

2024 Guaranteed Notes

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US$500,000,000 (equivalent to approximately RMB3,230,050,000) (the "2024 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will be matured on 8 June 2024. The 2024 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2024 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2024 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 8 June 2024	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 8 June 2024	106.25% 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 2024 Guaranteed Notes on 8 June 2024, plus all required remaining scheduled interest payments due on the 2024 Guaranteed Notes through 8 June 2024 (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 8 June 2024, the Company may at its option redeem the 2024 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 8 June 2024, the Company may redeem up to 35% of the 2024 Guaranteed Notes, at a redemption price of 106.25% 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 2024 Guaranteed Notes on date of issuance was net of issue expenses of US$4,279,000 (equivalent to approximately RMB27,203,000) and the effective interest rate of the 2024 Guaranteed Notes is 6.52% per annum.

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

38. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds ("2017 CBs") bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US$320,000,000. The 2017 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.16 per share with fixed exchange rate of HK$7.8212 equal to US$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 28 November 2020, redeem the outstanding 2017 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 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds ("2021 CBs") bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US$300,000,000. The 2021 CBs were denominated in US$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK$8.91 per share with fixed exchange rate of HK$7.7530 equal to US$1.00 at any time on or after 7 March 2021 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 put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

On 11 June 2021, as a result of the Company's declaration of final dividend, the conversion price of the 2017 CBs was adjusted from HK$6.29 to HK$6.04 per share and the 2021 CBs was adjusted from HK$8.91 to HK$8.47 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 25 November 2021, as a result of the Company declaration of the interim dividends, the conversion price of the 2017 CBs was adjusted from HK$6.04 per share to HK$5.79 per share and the 2021 CBs was adjusted from HK$8.47 to HK$8.12 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 31 May 2022, as a result of the Company's declaration of final dividend, the conversion price of the 2017 CBs was adjusted from HK$5.79 to HK$5.41 per share and the 2021 CBs was adjusted from HK$8.12 to HK$7.63 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

38. CONVERTIBLE BONDS (Continued)

On 21 November 2022, as a result of the Company's declaration of interim dividend, the conversion price of the 2017 CBs was adjusted from HK$5.41 to HK$5.13 per share and the 2021 CBs was adjusted from HK$7.63 to HK$7.24 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2022, the principal amount of the 2021 CBs that remained outstanding amounted to US$300,000,000 (2021: US$300,000,000) of which a maximum of 321,256,906 (2021: 286,440,886) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the CBs are set out in announcements of the Company dated 11 June 2021, 25 November 2021, 31 May 2022 and 21 November 2022.

As at 31 December 2021, the principal amount of the 2017 CBs that remained outstanding was US$246,400,000 (2022: nil) and maximum of 332,840,013 (2022: nil) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2017 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, 1 December 2020, 11 June 2021 and 25 November 2021.

The movements of the liability and derivatives components of the 2017 CBs and 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2017 CBs RMB'000	**Derivatives component of 2017 CBs** RMB'000	**Liability component of 2021 CBs** RMB'000	**Derivatives component of 2021 CBs** RMB'000	**Total** RMB'000
As at 1 January 2021	1,215,939	550,111	–	–	1,766,050
At issuance date	–	–	1,630,729	301,887	1,932,616
Transaction costs	–	–	(28,525)	–	(28,525)
Changes in fair values	–	174,512	–	(57,162)	117,350
Effective interest expenses	249,274	–	144,867	–	394,141
Interest paid	(80,712)	–	(98,929)	–	(179,641)
Exchange translation	(25,890)	(11,537)	(14,395)	(3,455)	(55,277)
As at 31 December 2021	**1,358,611**	**713,086**	**1,633,747**	**241,270**	**3,946,714**
Conversion into shares of the Company (note 41)	**(1,487,157)**	**(744,050)**	**–**	**–**	**(2,231,207)**
Changes in fair values	**–**	**–**	**–**	**187,004**	**187,004**
Effective interest expenses	**84,968**	**–**	**142,409**	**–**	**227,377**
Interest paid	**(15,416)**	**–**	**(89,705)**	**–**	**(105,121)**
Exchange translation	**58,994**	**30,964**	**144,076**	**28,736**	**262,770**
As at 31 December 2022	**–**	**–**	**1,830,527**	**457,010**	**2,287,537**

38. CONVERTIBLE BONDS (Continued)

During the year ended 31 December 2022, 354,186,076 (2021: nil) ordinary shares of the Company were issued as a result of the conversion of 2017 CBs with principal amount of US$246,400,000. No redemption, purchase or cancellation by the Company has been made in respect of the 2021 CBs for both years.

At 31 December 2022 and 2021, the fair values of the derivatives component was valued by Asia-Pacific Consulting and 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 option pricing 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:

	2017 CBs		2021 CBs	
	At 31 December 2021	At 31 December 2022	At 31 December 2021	At issuance date
Share price	HK$8.23	HK$7.37	HK$8.23	HK$7.32
Conversion price	HK$5.79	HK$7.24	HK$8.12	HK$8.91
Expected volatility	59.43%	52.68%	47.53%	45.08%
Expected life	0.91 years	3.07 years	4.07 years	5.00 years
Risk free rate	0.36%	4.21%	1.13%	0.42%
Expected dividend yield	4.16%	5.83%	4.16%	2.61%

39. DEFERRED TAXATION

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

	2022 RMB'000	2021 RMB'000
Deferred tax assets	**2,605,197**	2,616,950
Deferred tax liabilities	**(523,795)**	(813,998)
	2,081,402	1,802,952

39. DEFERRED TAXATION (Continued)

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

	Decelerated tax depreciation 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	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 2021	404,978	660,633	27,416	(627,965)	1,656,512	120,704	8,796	(272,379)	6,987	1,985,682
Acquired on step acquisition from associate to subsidiary (notes 45)	–	–	–	–	–	–	–	(18,409)	–	(18,409)
(Charged) credited to profit or loss	(221,334)	111,228	(27,302)	38,248	(134,097)	(10,148)	10,966	66,507	1,611	(164,321)
At 31 December 2021 and 1 January 2022	**183,644**	**771,861**	**114**	**(589,717)**	**1,522,415**	**110,556**	**19,762**	**(224,281)**	**8,598**	**1,802,952**
Acquired on acquisition from subsidiaries (note 46)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,764)**	**-**	**(12,764)**
(Charged) credited to profit or loss	**(62,768)**	**(82,795)**	**(114)**	**231,620**	**157,666**	**(11,978)**	**(13,569)**	**71,347**	**1,805**	**291,214**
At 31 December 2022	**120,876**	**689,066**	**-**	**(358,097)**	**1,680,081**	**98,578**	**6,193**	**(165,698)**	**10,403**	**2,081,402**

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,627,740,000 (2021: RMB4,829,988,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB2,756,264,000 (2021: RMB3,087,444,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB1,903,813,000 (2021: RMB1,742,544,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,462,394,000 (2021: RMB1,396,234,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB441,419,000 (2021: RMB346,310,000) may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB74,867,227,000 (2021: RMB66,493,194,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

40. DEFERRED INCOME

	2022 **RMB'000**	2021 RMB'000
Government grants related to property, plant and equipment		
– Current liabilities	**36,684**	26,514
– Non-current liabilities	**794,292**	835,379
	830,976	861,893

As at 31 December 2022, the Group received government subsidies of approximately RMB16,993,000 (2021: RMB302,800,000 while RMB300,000,000 was obtained through step acquisition from associate to subsidiary) towards the cost of certain construction projects and has been treated as deferred income and is transferred to income over the useful lives of relevant plant and machineries. This policy has resulted in a credit to income in the current year of approximately RMB47,910,000 (2021: RMB40,590,000).

41. SHARE CAPITAL

	Number of shares		**Share Capital**	
	2022	2021	**2022** **US$**	2021 US$
Authorised:				
Ordinary shares of US$0.01 each	**20,000,000,000**	20,000,000,000	**200,000,000**	200,000,000

	2022	2021	**2022** **US$**	2021 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**9,475,538,425**	9,121,352,349	**94,755,384**	91,213,523

	Number of shares	**Share Capital** RMB'000
Issued and fully paid:		
At 1 January 2021	8,878,352,349	579,318
Issue of shares upon share subscription (note i)	243,000,000	15,821
At 31 December 2021 and 1 January 2022	**9,121,352,349**	**595,139**
Issue of shares upon conversion of 2017 CBs (note ii)	**354,186,076**	**23,742**
At 31 December 2022	**9,475,538,425**	**618,881**

41. SHARE CAPITAL (Continued)

Notes:

(i) On 18 March 2021, 243,000,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$9.72 per share, raising a total proceeds of approximately RMB1,971,811,000, net of share issue expense of approximately RMB31,701,000.

(ii) During the year ended 31 December 2022, 2017 CBs with principal amounts of US$92,800,000, US$55,000,000 and US$98,600,000 was converted into 141,482,916, 79,513,123 and 133,190,037 ordinary shares of the Company at par at the conversion price of HK$5.13, HK$5.41 and HK$5.79 per ordinary share, respectively.

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2021: nil).

42. 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") in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong 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; (v) share of capital reserve of an associate and subsidiaries from Shandong Innovation Carbon New Material Co., Ltd. * ("Innovation Carbon New Material")山東創新炭材料有限公司; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

(b) Statutory surplus reserve

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

(c) Translation reserve

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

(d) Investment revaluation reserve

Investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

* The English translation is for reference only.

43. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 34, 35, 36, 37 and 38, and net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 41, share premium and reserves in the consolidated statement of financial position.

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

44. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**44,560,312**	75,480,991
Financial asset at FVTPL – Other financial asset	**2,122**	99
Financial assets at FVTOCI – Equity instruments at FVTOCI	**1,542,588**	1,058,906
Financial liabilities		
Financial liabilities at FVTPL		
– Derivatives component of convertible bonds	**457,010**	954,356
– Other financial liabilities	**–**	4,497
Financial liabilities at amortised cost	**83,618,036**	87,098,830

44. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables, other receivables, other financial asset, restricted bank deposits, cash and cash equivalents, collective investment trust, financial assets at FVTOCI, loans to an associates, trade and bills payables, other payables and accruals, other financial liabilities, bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and 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, liquidity risk and risks arising from the interest rate benchmark reform. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Market risk

(i) Currency risk

The Company has intra-group balance with a subsidiary denominated in foreign currency which expose the Group to foreign currency risk.

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

	Exposure to foreign currencies					
	2022			2021		
	USD	**HK$**	**IDR**	USD	HK$	IDR
	RMB'000	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000
Other receivables	**64,417**	**–**	**–**	213,707	–	–
Cash and cash equivalents	**523,823**	**60,056**	**126,289**	441,135	57,088	94,969
Other financial asset	**2,122**	**–**	**–**	99	–	–
Trade payables	**2,171,252**	**–**	**–**	316,349	–	–
Other payables and accruals	**527,409**	**–**	**–**	13,874	–	–
Bank borrowings	**5,142,981**	**–**	**–**	4,725,707	–	–
Other financial liabilities	**–**	**–**	**–**	4,497	–	–
Liability component of convertible bonds	**1,830,527**	**–**	**–**	2,992,358	–	–
Derivatives component of convertible bonds	**457,010**	**–**	**–**	954,356	–	–
Guaranteed notes	**4,843,648**	**–**	**–**	6,332,831	–	–

44. 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 1% (2021: 1%) increase and decrease in RMB against the relevant foreign currencies. 1% (2021: 1%) 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.

A positive number below indicates an increase in post-tax profit where RMB strengthen 1% (2021: 1%) against the relevant currency. For a 1% (2021: 1%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the amounts below would be negative.

	2022 **RMB'000**	2021 RMB'000
Effect on post-tax profit:		
US$ (note (i))	**115,898**	121,361
HK$ (note (ii))	**(501)**	(477)
IDR (note (iii))	**(985)**	(741)

Notes:

(i) This is mainly attributable to the exposure outstanding on US$ of cash and cash equivalents, trade receivables, other receivables, trade payables, other payables and accruals, bank borrowings, convertible bonds and guaranteed notes at year end.

(ii) This is mainly attributable to the exposure outstanding on HK$ of cash and cash equivalents 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.

44. 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 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, floating interest rate bank borrowings and pay fixed and receive floating interest rate swaps, and mainly concentrated on the fluctuation of interest rate quoted from the CFETS, PBOC and LIBOR 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. A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and 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 were outstanding for the whole year. A 25 basis points (2021: 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 (2021: 25 basis points) higher/lower and all other variables were held constant:

	2022 **RMB'000**	2021 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(29,193)**	(63,269)
As a result of decrease in interest rate	**29,193**	63,269

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.

44. 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 instruments operating in bank industry sector quoted in the Stock Exchange. For unquoted equity security designated as FVTOCI, the investee is operating in diversified metals and minerals industry sector. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. Sensitivity analysis for unquoted equity security with fair value measurement catagorised within level 3 were disclosed in note 44.

If the price of the respective equity instrument had been 10% (2021: 10%) higher/lower, other comprehensive income for the year ended 31 December 2022 would increase/decrease by approximately RMB144,259,000 (2021: RMB90,427,000) as a result of the changes in fair value of financial assets at FVTOCI.

(d) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements,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 the Group mainly arises from loans to an associates, 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.

44. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

Management considered loans to an associates 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.

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

44. 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 2022

	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)	Lifetime ECL (simplified approach)	**4,617,414**	**(6,719)**	**4,610,695**
Bills receivables (note 2)	Performing	12-month ECL	**5,573,175**	**–**	**5,573,175**
Other receivables	Performing	12-month ECL	**773,421**	**(579)**	**772,842**
Other receivables	Default	Lifetime ECL -credit-impaired	**26,441**	**(26,441)**	**–**
Collective investment trust	Performing	12-month ECL	**2,499,000**	**–**	**2,499,000**
Restricted bank deposits	Performing	12-month ECL	**1,720,058**	**–**	**1,720,058**
Cash and cash equivalents	Performing	12-month ECL	**27,384,542**	**–**	**27,384,542**
Loans to associates	Performing	12-month ECL	**3,810,796**	**–**	**3,810,796**
				(33,739)	

44. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2021

	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)	Lifetime ECL (simplified approach)	7,292,695	(7,942)	7,284,753
Bills receivables (note 2)	Performing	12-month ECL	11,918,515	–	11,918,515
Other receivables	Performing	12-month ECL	928,466	(899)	927,527
Other receivables	Default	Lifetime ECL -credit-impaired	26,039	(26,039)	–
Collective investment trust	Performing	12-month ECL	2,499,000	–	2,499,000
Restricted bank deposits	Performing	12-month ECL	1,623,874	–	1,623,874
Cash and cash equivalents	Performing	12-month ECL	49,227,282	–	49,227,282
Loans to associates (note 3)	Performing	12-month ECL	2,701,327	–	2,701,327
				(34,880)	

Notes:

1. 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 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.

3. For the loans to associates, the Group regularly monitors the business performance of the associates. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities, the collateral and the power to participate the relevant activities of these entities and thus the impairment provision recognised during the year was limited to 12-month ECL.

44. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 11% (2021: 10%) and 45% (2021: 43%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2021: 98%) of the total receivables as at 31 December 2022.

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 8% (2021: 6%) of the total bills receivables as at 31 December 2022. In addition, the Group's bills receivables from the top five major banks represented 29% (2021: 22%) of the total bills receivables as at 31 December 2022.

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 and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease 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.

44. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2022								
Non-derivative financial liabilities								
Fixed-rate bank borrowings	4.55%	12,966,924	11,355,243	777,723	888,871	–	25,988,761	25,178,310
Floating-rate bank borrowings	7.19%	3,304,133	3,641,463	2,113,977	686,304	2,314,334	12,060,211	10,349,449
Medium-term debentures and bonds	4.68%	1,349,131	7,958,665	6,173,685	–	–	15,481,481	14,467,959
Short-term debentures and notes	3.57%	3,107,100	–	–	–	–	3,107,100	3,000,000
Trade and bills payables	–	14,911,002	–	–	–	–	14,911,002	14,911,002
Other payables (exclude contract liabilities and other tax payables)	–	9,037,141	–	–	–	–	9,037,141	9,037,141
Guaranteed notes	6.89%	1,535,977	109,773	3,579,555	–	–	5,225,305	4,843,648
Convertible bonds	9.87%	54,424	55,326	109,749	2,208,328	–	2,427,827	1,830,527
		46,265,832	23,120,470	12,754,689	3,783,503	2,314,334	88,238,828	83,618,036
Lease liabilities		10,241	8,920	14,492	10,494	42,980	87,127	67,916

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2021								
Non-derivative financial liabilities								
Fixed-rate bank borrowings	5.06%	6,468,329	13,923,253	1,741,172	1,115,389	–	23,248,143	22,249,949
Floating-rate bank borrowings	6.49%	490,068	964,100	8,239,976	3,654,615	3,803,727	17,152,486	14,131,802
Medium-term debentures and bonds	5.04%	3,241,645	820,857	6,396,983	3,567,334	–	14,026,819	13,143,593
Short-term debentures and notes	4.02%	1,560,300	–	–	–	–	1,560,300	1,500,000
Trade and bills payables	–	18,735,216	–	–	–	–	18,735,216	18,735,216
Other payables (exclude contract liabilities and other tax payables)	–	8,013,081	–	–	–	–	8,013,081	8,013,081
Guaranteed notes	7.11%	232,812	2,261,023	1,645,750	3,579,555	–	7,719,140	6,332,831
Convertible bonds	16.43%	96,995	1,807,570	109,749	2,318,077	–	4,332,391	2,992,358
		38,838,446	19,776,803	18,133,630	14,234,970	3,803,727	94,787,576	87,098,830
Lease liabilities		6,250	6,260	9,507	12,397	45,830	80,244	61,731

44. 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) Interest rate benchmark reform

As at 31 December 2022, the Group has several LIBOR bank borrowings may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative: immediately after 30 June 2023, in the case of the remaining US dollar settings.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

44. FINANCIAL INSTRUMENTS (Continued)

(f) Interest rate benchmark reform (Continued)

LIBOR (Continued)

(i) Risks arising from the interest rate benchmark reform (Continued)

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The Group is planning to transition the its LIBORs contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBORs to alternative reference rate at an agreed point in time.

44. FINANCIAL INSTRUMENTS (Continued)

(f) Interest rate benchmark reform (Continued)

LIBOR (Continued)

(ii) Progress towards implementation of alternative benchmark interest rates (Continued)

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2022 and 2021. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts 2022 RMB'000	2021 RMB'000	Hedge accounting	Transition progress for financial instruments
Non-derivative financial liabilities					
– Bank borrowings linked to 6-months LIBOR	2023/2029	4,590,811	5,596,617	N/A	Expected to transit Secured Overnight Financing Rate in 2023
– Loan to WCSR linked to 3-months USD LIBOR	N/A	1,044,690	–	N/A	Expected to transit Secured Overnight Financing Rate in 2023
Derivatives					
– Interest rate swaps contracts – Receive 1-months USD LIBOR, pay USD fixed interest rate swaps	2023	383,343	357,761	LIBOR bank loan of the same maturity and nominal as the swap	To transit derivatives via International Swaps and Derivatives Association protocol

44. FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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 2022 Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Derivative financial liabilities				
– Interest rate swap contracts	**–**	**2,122**	**–**	**2,122**
Unlisted equity instruments	**–**	**–**	**100,000**	**100,000**
Listed equity instruments	**1,442,588**	**–**	**–**	**1,442,588**
	1,442,588	**2,122**	**100,000**	**1,544,710**
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	**–**		**457,010**	**457,010**

	31 December 2021 Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Derivative financial liabilities				
– Interest rate swap contracts	–	99	–	99
Unlisted equity instruments	–	–	154,628	154,628
Listed equity instruments	904,278	–	–	904,278
	904,278	99	154,628	1,059,005
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	–	–	954,356	954,356
Derivative financial liabilities				
– Capped forward contract	–	4,497	–	4,497
	–	4,497	954,356	958,853

44. FINANCIAL INSTRUMENTS (Continued)

(g) 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 Group owns 1.24 per cent equity interest in Shandong Innovation Metals Technology Co., Ltd ("Shandong Innovation Metals") that is classified as investment at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2022 amounts to RMB264,244,000 (2021: RMB154,628,000). The fair value of the investment as at 31 December 2021 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. Shandong Innovation Metals has acquired by Innovation New Material, a listed entity on Shanghai stock exchange in November 2022 and the equity interest held by the Group in Shandong Innovation Metals has been converted to 1.09% equity interest in Innovation New Material, with its shares traded in an active market. Therefore, the fair value of the investment as at 31 December 2022 was determined based on a published price quotation available on Shanghai stock exchange and was classified as Level 1 of the fair value hierarchy.

Except for the above, there were no transfers between levels of fair value hierarchy in both years.

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

		Fair value as at		
Financial instruments	**Fair value hierarchy**	**31.12.2022 RMB'000**	31.12.2021 RMB'000	**Valuation technique and key inputs**
Financial asset at FVTOCI – listed equity instrument	Level 1	**1,442,588**	904,278	Quoted bid prices in an active market
Financial asset at FVTOCI – unlisted equity instrument	Level 3	**100,000**	154,628	Market approach – Based on P/B multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B ratio, the higher the fair value)
Capped forward contract	Level 2	**–**	4,497	Discounted cash flows – Based on forward contracts exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates), discounted at a rate that reflects the credit risk of various counterparties
Interest rate swaps contracts	Level 2	**2,122**	99	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contracted interest rates), discounted at a rate that reflects the credit risk of various counterparties

44. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial instruments	Fair value hierarchy	Fair value as at 31.12.2022 RMB'000	Fair value as at 31.12.2021 RMB'000	Valuation technique and key inputs
Redemption option derivative of convertible bonds	Level 3	**–**	206,607	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield. Key unobservable inputs: volatility at 42.46% (2021: 47.53% to 59.43%) (The higher the volatility, the higher the fair value)
Conversion option derivative of convertible bonds	Level 3	**457,010**	747,749	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield. Key unobservable inputs: volatility at 42.46% (2021: 47.53% to 59.43%) (The higher the volatility, the higher the fair value)

44. FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis:

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

- if the unobservable inputs of volatility to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the redemption option derivative of convertible bonds and conversion option derivative of convertible bonds would increase/decrease by approximately RMB64,178,000 and nil (31 December 2021: RMB21,945,000 and RMB8,438,000), respectively. The higher the volatility, the higher will be the fair value.

- if the unobservable inputs of P/B multiples to the valuation model were 5% higher/lower while all the other variables were held constant, the FVTOCI-unlisted equity instrument would increase/decrease by approximately RMB5,706,000 (31 December 2021: RMB7,731,000). The higher the P/B multiples, the higher will be the fair value.

	Redemption option derivative of convertible bonds RMB'000	Conversion option derivative of convertible bonds RMB'000	Unlisted equity instrument RMB'000
At 1 January 2021	40,496	509,615	–
Total gains (losses)			
– in profit or loss	148,205	(30,855)	–
– in other comprehensive income	–	–	4,628
Issue of 2021 CB	18,113	283,774	–
Purchase	–	–	150,000
Exchange difference	(207)	(14,785)	–
At 31 December 2021 and 1 January 2022	206,607	747,749	154,628
Total gains (losses)			
– in profit or loss	(206,607)	393,611	–
– in other comprehensive income	–	–	131,855
Conversion into shares of a listed entity instrument	–	–	(286,483)
Purchase	–	–	100,000
Conversion into shares of the Company	–	(744,050)	–
Exchange difference	–	59,700	–
At 31 December 2022	–	457,010	100,000

44. FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis: (Continued)

For the year ended 31 December 2022, included in the above total gains is an amount of RMB131,855,000 (2021: RMB4,628,000) gain relating to unlisted equity investment designated at FVTOCI held at the end of the year.

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

Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their carrying amounts.

(h) Transfers of financial assets

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

	2022 **RMB'000**	2021 RMB'000
Bills receivables endorsed to suppliers with full recourse *(note)*		
Carrying amount of transferred assets	**4,733,415**	11,356,482
Carrying amount of trade payables	**(4,733,415)**	(11,353,952)
Carrying amount of other payables	**–**	(2,530)
Net position as at 31 December	**–**	–

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

45. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY

In October 2021, the Group acquired 55% of the equity interest in Honghua Zhida, an associate of the Company, from 北京宏華智達科技投資管理有限公司, an independent third party, at a consideration of RMB422,000,000. Upon additional acquisition of equity interest in Honghua Zhida, the Group's equity interest in Honghua Zhida was increased from 45% to 100% and Honghua Zhida become a subsidiary of the Company. The acquisition was completed on the same date. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB59,945,000. Honghua Zhida is engaged in the technology promotion and application service industry. Honghua Zhida was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to RMB580,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2021, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	1,449,849
Interests in associates	513,183
Right-of-use assets	112,264
Prepayments and other receivables	844,194
Cash and cash equivalents	60,394
Trade payables	(96,848)
Other payables and accruals	(47,306)
Deferred tax liabilities	(18,409)
Deferred income	(300,000)
Total identifiable net assets at fair value	2,517,321
Non-controlling interests	(87,244)
Total identifiable net assets at fair value attributable to the Group	2,430,077

The gross amount and fair value of other receivables amounted to approximately RMB537,827,000. None of the receivables had been impaired and it is expected that the full amounts can be collected.

45. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY (Continued)

Gain on bargain purchase:

	RMB'000
Cash consideration transferred	422,000
Fair value of previously held equity interest	1,948,132
	2,370,132
Less: fair value of net assets of acquired	(2,430,077)
Gain on bargain purchase	(59,945)

Bargain purchase gain amounting to approximately RMB59,945,000 on acquisition of Honghua Zhida is recongised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	422,000
Less: cash and cash equivalent acquired	(60,394)
Net cash outflow on acquisition	361,606

Impact of acquisition on the result of the Group

Included in the profit for the year was approximately a loss of RMB5,506,000, attributable to the additional business generated by Honghua Zhida. Revenue for the year ended 31 December 2021 included approximately RMB32,000 generated from Honghua Zhida.

Had the acquisition been completed in 1 January 2021, total revenue of the Group for the year ended 31 December 2021 would have been approximately RMB114,491,225,000 and profit for the year would have been approximately RMB16,882,437,000. 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 in 1 January 2021, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Hongzhu Zhida been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recongised amounts of property, plant and equipment at the date of acquisition.

46. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2022, the Group had the following acquisition of subsidiaries.

(a) On 31 December 2022, the Group acquired 100% of the issued capital of Weihai Haixin New Material Co., Ltd. * ("Weihai Haixin")威海海鑫新材料有限公司 from an independent third party for consideration of RMB871,463,000. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB20,462,000. Weihai Haixin is engaged in manufacture and sale of aluminum products. Weihai Haixin was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to RMB94,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2022, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	842,002
Right-of-use assets	140,479
Trade and bills receivables	672,048
Prepayments and other receivables	409,777
Inventories	286,524
Cash and cash equivalents	400,969
Bank borrowings	(300,000)
Trade and bills payables	(1,203,992)
Other payables and accruals	(355,882)
Total identifiable net assets at fair value	891,925

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB1,081,484,000. None of the trade and receivables had been impaired and it is expected that the full amounts can be collected.

* The English translation is for reference only.

46. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

Gain on bargain purchase:

	RMB'000
Cash consideration transferred	871,463
Less: fair value of net assets of acquired	(891,925)
Gain on bargain purchase	(20,462)

Bargain purchase gain amounting to approximately RMB20,462,000 on acquisition of Weihai Haixin is recongised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	871,463
Less: cash and cash equivalent acquired	(400,969)
Net cash outflow on acquisition	470,494

Impact of acquisition on the result of the Group

No profit attributable to the additional business generated by Weihai Haixin or revenue generated from Weihai Haixin included in the profit for the year.

Had the acquisition been completed in 1 January 2022, total revenue of the Group for the year ended 31 December 2022 would have been approximately RMB133,223,343,000 and profit for the year would have been approximately RMB9,627,385,000. 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 in 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Weihai Haixin been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recongised amounts of property, plant and equipment at the date of acquisition.

46. ACQUISITION OF SUBSIDIARIES (Continued)

(b) On 31 December 2022, the Group acquired 100% of the issued capital of Weihai Chenxin New Material Co., Ltd. * ("Weihai Chenxin") 威海辰鑫新材料有限公司 from an independent third party for consideration of RMB372,280,000. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB60,000. Weihai Chenxin is engaged in manufacture and sale of aluminum products. Weihai Chenxin was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to RMB94,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2022, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	338,030
Trade and bills receivables	139,725
Prepayments and other receivables	50,092
Cash and cash equivalents	9,456
Inventories	51,723
Trade and bills payables	(151,995)
Other payables and accruals	(51,927)
Deferred tax liabilities	(12,764)
Total identifiable net assets at fair value	372,340

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB189,817,000. None of the receivables had been impaired and it is expected that the full amounts can be collected.

* The English translation is for reference only.

46. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

Gain on bargain purchase:

	RMB'000
Cash consideration transferred	372,280
Less: fair value of net assets of acquired	(372,340)
Gain on bargain purchase	(60)

Bargain purchase gain amounting to approximately RMB60,000 on acquisition of Weihai Chenxin is recongised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	372,280
Less: cash and cash equivalent acquired	(9,456)
Net cash outflow on acquisition	362,824

Impact of acquisition on the result of the Group

No profit attributable to the additional business generated by Weihai Chenxin or revenue generated from Weihai Chenxin included in the profit for the year.

Had the acquisition been completed in 1 January 2022, total revenue of the Group for the year ended 31 December 2022 would have been approximately RMB131,437,931,000 and profit for the year would have been approximately RMB9,629,440,000. 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 in 1 January 2022, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Weihai Chenxin been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recongised amounts of property, plant and equipment at the date of acquisition.

47. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2022 and 2021, the Group had the following change in its ownership interest in subsidiaries that do not result in a loss of control.

2022

Acquisition of additional interest in a subsidiary

During the year ended 31 December 2022, the Group acquired an additional 35% issued shares of Chongqing Weiqiao Financial Factoring Co., Ltd. * ("Chongqing Weiqiao Financial")重慶魏橋金融保理有限公司 from non-controlling interests and increased its ownership interest to 100%. Cash consideration of approximately RMB236,500,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao Financial was approximately RMB178,850,000. A schedule of the effect of acquisition of additional interest is as follow:

	RMB'000
Carrying amount of the interest acquired	178,850
Consideration paid to non-controlling interests	(236,500)
Difference recognised in capital reserve within equity	(57,650)

* The English translation is for reference only

2021

Disposal of interest in subsidiaries without loss of control

a) During the year ended 31 December 2021, upon additional capital contribution of RMB3,800,000,000 being made by certain independent investors to Shandong Hongqiao, the Group's equity interest in Shandong Hongqiao was diluted from 100% to 94.52%. The transaction was accounted for as deemed disposal of partial interet in a subsidiary without loss of control. This resulted in an increase in non-controlling interests of approximately RMB4,341,130,000 and a decrease in equity attributable to owners of the parent of approximately RMB541,130,000. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(4,341,130)
Consideration received from non-controlling interests	3,800,000
Difference recognised in capital reserve within equity	(541,130)

47. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

Disposal of interest in subsidiaries without loss of control (Continued)

b) During the year ended 31 December 2021, the Group disposed of 5% interest out of 100% interest in Shandong Honghe Lightweight Technology Co., Ltd* ("Honghe Lightweight") 山東宏和輕量化科技有限公司 to an independent third party, at a consideration of RMB2,500,000. This resulted in an increase in non-controlling interests of approximately RMB2,500,000. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(2,500)
Consideration received from non-controlling interests	2,500
Difference recognised in capital reserve within equity	–

* The English translation is for reference only

48. 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:

	2022 RMB'000	2021 RMB'000
Restricted bank deposits (note 30)	**1,720,058**	1,623,874
Property, plant and equipment (note 16)	**12,069,053**	11,803,565
Right-of-use assets (note 17)	**556,345**	499,916

49. COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**3,545,775**	1,618,260

50. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group had 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
Weiqiao Chuangye	note ii
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
Binzhou City Construction Investment Development Co. Ltd. ("Binzhou Investment") 濱州市公建投資開發有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste") 濱州市北海魏橋固廢處置有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Ruixin Tendering Co., Ltd ("Shandong Ruixin") 山東瑞信招標有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Railway Engineering Co., Ltd. ("Beihai Weiqiao Railway") 濱州北海魏橋鐵路工程有限公司 (note i)	Controlled by Weiqiao Chuangye
Zhanhua Weiqiao Port Logistics Co., Ltd. ("Zhanhua Weiqiao Port Logistics") 沾化魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Wudi Weiqiao Port Logistics Co., Ltd. ("Wudi Weiqiao Port Logistics") 無棣魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Weiqiao Textile Co. Ltd ("Weiqiao Textile") 魏橋紡織股份有限公司	Controlled by Weiqiao Chuangye
PT. Harita Jayaraya ("Harita Jayaraya")	note iii
PT. Cita Mineral Investindo, Tbk.	note iii
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply") 沾化金沙供水有限公司 (note i)	An associate of Weiqiao Chuangye
WCSR	An associate of the Group
Innovation Carbon New Material	An associate of the Group
ABM	An associate of the Group
GTS	An associate of the Group
WAP	An associate of the Group
SMB	An associate of the Group
Binneng Energy	An associate of the Group
Weiqiao Haiyi	An associate of the Group

Notes:

i. The English translation is for reference only.

ii. 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.

iii. Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Group.

50. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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

	Notes	2022 RMB'000	2021 RMB'000
Purchases of water			
Jinsha Water Supply	(a)	**(24,315)**	(21,633)
Weiqiao Chuangye	(b)	**(30,886)**	(40,595)
Industrial waste expenses			
Beihai Solid Waste	(b)	**(160,569)**	(162,185)
Purchases of bauxite			
GTS	(i)	**(13,426,851)**	(7,092,966)
PT. Cita Mineral Investindo, Tbk.	(a)	**(799,009)**	(229,692)
Purchase of electricity			
Binneng Energy	(i)	**(14,938,883)**	(12,204,938)
Purchases of anode carbon block			
Innovation Carbon New Material	(i)	**(2,394,356)**	(1,426,136)
Purchase of right-of-use assets			
Weiqiao Chuangye	(a)	**(83,604)**	(151,261)
Weiqiao Textile	(a)	**(18,956)**	–
Sales of steam			
Binzhou Industrial Park	(a)	**10,453**	12,020
Ming Hong Textile	(a)	**3,677**	3,119
Binzhou Investment	(a)	**22,278**	24,311
Zhanhua Weiqiao Port Logistics	(a)	**533**	334
Sales of water			
Zhanhua Weiqiao Port Logistic	(a)	**101**	–
Legal and professional fee			
Shandong Ruixin	(a)	**(10,757)**	(2,735)
Sales of scraps material			
Beihai Solid Waste	(a)	**–**	758
Beihai Weiqiao Railway	(a)	**–**	3
Zhanhua Weiqiao Port Logistic	(a)	**–**	76
Wudi Weiqiao Port Logistics	(a)	**–**	98
Weiqiao Haiyi	(a)	**–**	299
Lease payment			
Weiqiao Chuangye	(a), (c), (f)	**(2,850)**	(12,590)
Harita Jayaraya	(e), (g), (i)	**(1,070)**	(1,308)
PT. Antar Sarana Rekasa	(d), (h), (i)	**(8,427)**	(8,161)
Interest income from associates			
Binneng Energy	(i)	**114,780**	114,780
WCSR	(i)	**41,834**	–

50. 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 2022, the carrying amount of such lease liabilities is RMB40,394,000 (2021: RMB41,722,000).

(d) 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 2022, the carrying amount of such lease liabilities is nil (2021: nil).

(e) 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 2022, the carrying amount of such lease liabilities is nil (2021: nil).

(f) The Group entered into a three-year lease in respect of certain properties from Weiqiao Chuangye in 2020. The amount of rent payable by the Group under the lease is approximately RMB766,000 per month and the lease was expired on 16 November 2021.

(g) For the year ended 31 December 2021, 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 RMB103,000 per month. As at 31 December 2022, the carrying amount of such lease liabilities is nil (2021: RMB999,000).

(h) For the year ended 31 December 2022, the Group entered into a lease for 3 years in respect of vessels in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB720,000 per month. As at 31 December 2022, the carrying amount of such lease liabilities is RMB14,935,000 (31 December 2021: nil).

(i) The related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

50. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

The following balances were outstanding at the end of the year:

	2022 RMB'000	2021 RMB'000
Loans to associates		
ABM	**766,106**	701,327
Binneng Energy	**2,000,000**	2,000,000
WCSR	**1,044,690**	–
Trade payables		
GTS	**(2,171,252)**	(316,349)
Innovation Carbon New Material	**(286,458)**	(748,799)
Jinsha Water Supply	**(1,731)**	(3,105)
Weiqiao Chuangye	**(28,687)**	(29,633)
PT. Cita Mineral Investindo, Tbk.	**(39,585)**	(36,419)
Trade receivable		
Ming Hong Textile	**127**	84
Other payable		
Weiqiao Chuangye	**(8,793)**	–
Weiqiao Textile	**(20,662)**	–
Prepayments to an associate		
Binneng Energy	**661,035**	3,626,005
Interest receivable		
WCSR	**41,626**	–

(b) Compensation of key management personnel

	2022 RMB'000	2021 RMB'000
Short term employee benefit	**8,375**	7,705
Retirement benefits scheme contributions	**119**	115
	8,494	7,820

Further details of the directors' and chief executive's emoluments are included in note 12.

50. RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	2022 RMB'000	2021 RMB'000
Binneng Energy	**1,400,000**	–
Weiqiao Chuangye	**3,289,242**	960,000

51. 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 2022, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB936,134,000 (2021: RMB264,609,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

During the years ended 31 December 2022 and 2021, no utilisation of forfeited contributions were offset the contributions obligation.

52. 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 2022 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Finance costs incurred RMB'000	Conversation into shares of the Company RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2022 RMB'000
Bank borrowings	36,381,751	(3,581,774)	300,000	2,174,962	–	252,820	–	35,527,759
Lease liabilities	61,731	(20,926)	24,323	2,833	–	(45)	–	67,916
Liability component of CBs	2,992,358	(105,121)	–	227,377	(1,487,157)	203,070	–	1,830,527
Derivatives component of CBs	954,356	–	–	–	(744,050)	59,700	187,004	457,010
Medium-term debentures and bonds	13,143,593	755,414	–	568,952	–	–	–	14,467,959
Short-term debentures and notes	1,500,000	1,426,689	–	73,311	–	–	–	3,000,000
Guaranteed notes	6,332,831	(2,292,503)	–	386,610	–	416,710	–	4,843,648
Interest payable	610,976	(124,520)	–	–	–	–	–	486,456
	61,977,596	(3,942,741)	324,323	3,434,045	(2,231,207)	932,255	187,004	60,681,275

			Non-cash changes					
	1 January 2021 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Early termination RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000	Fair value change RMB'000	31 December 2021 RMB'000
Bank borrowings	34,260,898	643,029	–	–	1,697,852	(220,028)	–	36,381,751
Lease liabilities	83,689	(22,679)	25,945	(27,491)	2,453	(186)	–	61,731
Liability component of CBs	1,215,939	1,422,563	–	–	394,141	(40,285)	–	2,992,358
Derivatives component of CBs	550,111	301,887	–	–	–	(14,992)	117,350	954,356
Medium-term debentures and bonds	36,120,076	(24,142,654)	–	–	1,166,171	–	–	13,143,593
Short-term debentures and notes	–	1,485,872	–	–	14,128	–	–	1,500,000
Guaranteed notes	3,242,270	2,858,852	–	–	351,229	(119,520)	–	6,332,831
Interest payable	1,473,016	(862,040)	–	–	–	–	–	610,976
	76,945,999	(18,315,170)	25,945	(27,491)	3,625,974	(395,011)	117,350	61,977,596

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

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Plant and equipment		**35**	35
Right-of-use assets		**1,883**	5,349
Investment in subsidiaries		**11,199,239**	11,199,239
Other receivables		**1,810,796**	701,327
Amounts due from subsidiaries	(i)	**10,925,507**	11,477,729
Financial assets at fair value through other comprehensive income		**928,898**	904,278
		24,866,358	24,287,957
Current assets			
Trade receivables		**88,744**	45,033
Prepayment and other receivables		**43,145**	1,391
Amounts due from subsidiaries	(i)	**2,083,141**	–
Amount due from immediate holding company	(ii)	**27**	27
Other financial asset		**2,122**	99
Cash and cash equivalents		**388,782**	117,207
		2,605,961	163,757
Current liabilities			
Trade payables		**89,982**	41,060
Other payables		**140,238**	205,782
Lease liabilities		**1,777**	3,600
Bank borrowings – due within one year		**1,789,650**	1,076,024
Liability component of convertible bonds-due within one year		**–**	1,358,611
Guaranteed notes – due within one year		**1,392,893**	1,908,945
Derivative component of convertible bonds-due within one year		**–**	713,086
Other financial liabilities		**–**	4,497
		3,414,540	5,311,605
Net current liabilities		**(808,579)**	(5,147,848)
Total assets less current liabilities		**24,057,779**	19,140,109
Non-current liabilities			
Lease liabilities		**196**	1,973
Amount due to a subsidiary	(ii)	**10,710,162**	680,364
Bank borrowings – due after one year		**821,823**	2,154,612
Liability component of convertible bonds – due after one year		**1,830,527**	1,633,747
Guaranteed notes – due after one year		**3,450,755**	4,423,886
Derivative component of convertible bonds – due after one year		**457,010**	241,270
		17,270,473	9,135,852
Net assets		**6,787,306**	10,004,257
Capital and reserves			
Share capital		**618,881**	595,139
Reserves	(iii)	**6,168,425**	9,409,118
Total equity		**6,787,306**	10,004,257

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

(i) The amounts due from subsidiaries with the balance of approximately RMB3,944,604,000 (2021: RMB4,534,764,000) are unsecured, carrying interest at fixed rate ranged from 5% to 8% (2021: ranged from 5% to 8%) per annum. The balances of approximately RMB2,083,141,000 and RMB1,861,463,000 are repayable in April 2023 and December 2024 respectively.

The remaining balances are unsecured, interest-free and the directors of the Company do not expect repayments on these balances within next tweleve months from the end of the reporting period and the balances were classified as non-current. The fair value of interest-free portion is estimated at approximately RMB9,064,044,000 (2021: RMB6,942,965,000) by using the effective interest rate of 4.9% per annum for the years ended 31 December 2022 and 2021.

(ii) The amounts due from (to) immediate holding company/a subsidiary are unsecured, interest-free. The directors of the Company do not expect repayments from immediate holding company within next tweleve months from the end of the reporting period and the balance of payable to a subsidiary will only be due after one year from the end of reporting period.

(iii) Movement in reserves

	Share premium RMB'000	**Share reserve[a]** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2021	20,909,078	3,193,854	(9,026,393)	15,076,539
Loss and total comprehensive expense for the year	–	–	(407,227)	(407,227)
Dividend paid	–	–	(7,184,483)	(7,184,483)
Issue of shares (note 41)	1,924,289	–	–	1,924,289
At 31 December 2021 and 1 January 2022	**22,833,367**	**3,193,854**	**(16,618,103)**	**9,409,118**
Profit and total comprehensive income for the year	**–**	**–**	**2,777,493**	**2,777,493**
Dividend paid	**–**	**–**	**(8,225,651)**	**(8,225,651)**
Issue of shares upon conversion of convertible bonds (note 41)	**2,207,465**	**–**	**–**	**2,207,465**
At 31 December 2022	**25,040,832**	**3,193,854**	**(22,066,261)**	**6,168,425**

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

54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	
China Hongqiao Investment Limited	British Virgin Islands ("BVI")	Ordinary Shares	US$200	100	100	-	–	100	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK$10,100	-	–	100	100	100	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	61	61	-	–	61	61	Manufacture and sale of alumina
Hongqiao (HK) International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	-	–	100	100	100	100	Inactive
Shandong Hongqiao	PRC	Ordinary Shares	RMB11,759,333,009	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zouping Hongli Thermal Power Co., Ltd. * 鄒平縣宏利熱電有限公司	PRC	Ordinary Shares	RMB1,817,065,373	-	–	94.52	94.52	94.52	94.52	Production and sale of electricity
Zhouping Hongmao New Material Technology Co., Ltd. * 鄒平縣宏茂新材料科技有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zhouping Hongzheng New Material Technology Co., Ltd * 鄒平縣宏正新材料科技有限公司	PRC	Ordinary Shares	RMB700,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Shandong Weiqiao Aluminum & Power Co., Ltd. * ("Shandong Weiqiao") 山東魏橋鋁電有限公司	PRC	Ordinary Shares	RMB13,000,000,000	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zouping County Hongxu Thermal Power Co., Ltd., *("Hongxu Power") 鄒平縣宏旭熱電有限公司	PRC	Ordinary Shares	RMB8,200,000,000	-	–	94.52	94.52	94.52	94.52	Production and sale of electricity
Zouping Huiju New Material Technology Co., Ltd. *鄒平縣匯聚新材料科技有限公司	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	-	–	94.52	94.52	94.52	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products

54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 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				
				2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	
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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zhanhua Huihong New Material	PRC	Ordinary Shares	RMB3,000,000,000	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Binzhou Honguo New Material * 濱州市宏諾新材料有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products

54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 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				
				2022 %	2021 %	2022 %	2021 %	2022 %	2021 %	
Binzhou Hongzhan Aluminum Technology Co., Ltd. *濱州宏展鋁業科技有限公司	PRC	Ordinary Shares	RMB200,000,000	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Hongchuang (Note i)	PRC	Ordinary Shares	RMB926,400,000	-	–	26.64	26.64	26.64	26.64	Manufacture and sale of aluminum products
Chongqing Weiqiao	PRC	Ordinary Shares	RMB500,000,000	-	–	94.52	61.26	94.52	61.26	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	-	–	70.89	70.89	70.89	70.89	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	-	–	94.52	94.52	94.52	94.52	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	-	–	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products

* For identification purpose only

Note:

i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 26.64% (2021: 26.64%) 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.

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.

54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB17,467,959,000 (2021: RMB14,643,593,000) of debt securities at the end of the year:

	Total and held by third parties	
	2022 **RMB'000**	2021 RMB'000
Shandong Hongqiao	**9,970,703**	7,092,590
Shandong Weiqiao	**7,497,256**	7,551,003

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, Singapore, BVI, Hong Kong and Guinea (2021: the PRC, Singapore, BVI and Guinea). The principal activities of these subsidiaries are summarised as follows:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		2022	2021
Sales of aluminum products	The PRC	**14**	11
Sales of scrap materials	The PRC	**1**	1
Delivery service	The PRC	**1**	1
Reclamation and utilisation of waste	The PRC	**6**	4
Wholesale of bauxite, alumina and aluminum products	The PRC	**11**	3
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**14**	5
Technology promotion and application service industry	The PRC	**5**	3
Investment management	The PRC	**1**	1
Investment holdings	The PRC	**4**	2
Others	Hong Kong	**1**	1
Others	The PRC	**14**	16
		75	51

54. 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		Profit (loss) attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Hongchuang and its subsidiaries	PRC	**71.82%**	71.82%	**71.82%**	71.82%	**15,693**	(56,594)	**1,004,808**	989,115

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

	2022 RMB'000	2021 RMB'000
Current assets	**1,249,367**	1,827,308
Non-current assets	**1,399,507**	1,236,205
Current liabilities	**(1,207,743)**	(1,627,172)
Non-current liabilities	**(42,066)**	(59,127)
Equity attributable to owners of the Company	**394,257**	388,099
Non-controlling interest	**1,004,808**	989,115
Revenue	**3,531,349**	3,190,524
Expenses	**(3,509,498)**	(3,269,324)
Profit (loss) for the year	**21,851**	(78,800)
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company	**6,158**	(22,206)
Profit (loss) and total comprehensive income (expense) attributable to the non-controlling interest	**15,693**	(56,594)
Profit (loss) and total comprehensive income (expense) for the year	**21,851**	(78,800)
Net cash inflows (outflows) from operating activities	**328,110**	(50,373)
Net cash outflows from investing activities	**(91,855)**	(1,768)
Net cash (outflows) inflows from financing activities	**(96,450)**	181,419
Net cash inflows	**139,805**	129,278

55. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2022, the Group entered into new arrangement in respect of premises and vessels. Right-of-use assets and lease liabilities of approximately RMB24,323,000 (2021: RMB25,945,000) were recognised at the commencement of the lease.

During the year ended 31 December 2022, the Group recognised capital reserve of RMB23,918,000 (2021: RMB288,000) which represented capital injection from other investors in an associate.

During the year ended 31 December 2022, the Group transferred property, plant and equipment of approximately RMB40,305,000 to investment properties.

During the year ended 31 December 2021, the Group transferred right-of-use assets of approximately RMB166,408,000 to investment properties and investment properties of approximately RMB164,376,000 to right-of-use assets.

56. EVENT AFTER THE REPORTING PERIOD

In February and March 2023, the Group issued short-term debentures and notes bearing interest ranged from 4.5% to 4.6% per annum which will be due within one year with the aggregate principal amount of RMB1,000,000,000.

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