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本公告所載資料不會直接或間接於美國境內分發或分發至美國（包括其領土及附屬地、美國任何州份及哥倫比亞特區）。本公告並不構成或成為於美國購買或認購證券的任何要約或邀請的一部分。本公告所述可換股債券並未及將不會根據證券法登記。除非可換股債券已根據證券法的登記規定登記或獲豁免登記，否則將不得於美國提呈發售或出售。有關提呈發售不會於美國作出。

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）

海外監管公告

本海外監管公告乃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13.10B條而刊發。

謹此提述中國宏橋集團有限公司（「**本公司**」）日期為二零二一年一月八日的公告（「**該公告**」），內容有關可換股債券發行。除另有定義外，本公告所用詞彙與該公告所界定者具有相同涵義。

本公司已向新交所提交隨附與可換股債券發行有關的發售通函(「**發售通函**」),該發售通函已於二零二一年一月二十六日在新交所網站刊載。

於聯交所網站登載發售通函僅旨在向香港投資者同步發佈資訊及遵守上市規則第13.10B條之規定,並無任何其他目的。

發售通函並不構成於任何司法權區向公眾出售任何證券的章程、通知、通函、宣傳冊或發售廣告,亦非邀請公眾提呈認購或購買任何證券,亦非旨在邀請公眾提呈認購或購買任何證券。

發售通函不得視作認購或購買本公司任何證券的誘因,且概無計劃有關誘因。不應根據發售通函所載的資料作出投資決定。

承董事會命
中國宏橋集團有限公司
主席
張波

香港,二零二一年一月二十七日

於本公告日期,董事會包括九名董事,即執行董事張波先生、鄭淑良女士及張瑞蓮女士,非執行董事楊叢森先生、張敬雷先生及陳一松先生(張浩先生為其替任董事),以及獨立非執行董事邢建先生、韓本文先生及董新義先生。

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 (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 CNCB (Hong Kong) Capital Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, Credit Agricole Corporate and Investment Bank and ING Bank N.V. (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.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The securities 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**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (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 securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The securities 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 ("**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 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, as amended ("**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. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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

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.

Actions that You May Not Take: You should not reply by e-mail to this communication, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORIZED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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 5.25 per cent. Convertible Bonds due 2026
Issue Price: 100 per cent.

The US$300,000,000 5.25 per cent. convertible bonds due 2026 (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 (the "**Company**", or the "**Issuer**") on 25 January 2021 (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 25 January 2021 at the rate of 5.25 per cent. per annum, payable semi-annually in arrear on 25 January and 25 July of each year beginning on 25 July 2021.

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$8.91 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 7 March 2021 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 25 January 2026 (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 Hong Kong Stock Exchange on 7 January 2021 was HK$7.75 per Share.

Unless previously redeemed, converted or purchased and cancelled as provided in the Conditions, the Company will redeem each Bond at 100.0 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 to the Bondholders and the Trustee (which notice will be irrevocable), 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; provided that prior to the date of such notice 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 25 January 2023 (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"*.

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Offering, the Company, any subsidiary or associated company of the Company, the Bonds or the Shares. Conditional approval for the listing of the Shares to be issued on conversion of the Bonds on the Hong Kong Stock Exchange has been granted by the Hong Kong Stock Exchange. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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. 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.

Investing in the Bonds and the Shares involves certain risks. See "*Risk Factors*" beginning on page 13 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*".

Pursuant to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (《國家發展改革委員會關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the NDRC on 14 September 2015, the Company shall obtain the Enterprise Foreign Debt Pre-Issuance Registration Certificate in respect of the Bonds before the issue of the Bonds, which the Company has obtained on 6 November 2020 and remains valid as of now, and the Company is required to file with the NDRC the requisite information on the issuance of the Bonds within ten business days after the settlement of such Bonds. The Company intends to provide the requisite information on the issuance of the Bonds to the NDRC within the time period prescribed by the NDRC Circular and any relevant rules and regulations from time to time issued by the NDRC.

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.

Joint Bookrunners and Joint Lead Managers

信銀(香港)投資有限公司 CNCB (HONG KONG) INVESTMENT LIMITED | UBS | CICC 中金公司 | 招銀国际 CMB INTERNATIONAL

CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK | ING

Offering Circular dated 25 January 2021.

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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 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.

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 rules and regulations of the SGX-ST 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, CNCB (Hong Kong) Capital Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, Credit Agricole Corporate and Investment Bank and ING Bank N.V. (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.

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**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (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.

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 ("**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 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, as amended ("**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. Consequently no key information document required by Regulation (EU) No 1286/2014 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 New Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE

Solely for the purposes of each 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 manufacturers; 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 manufacturers' target market assessment) and determining appropriate distribution channels.

UK PRODUCT GOVERNANCE

Solely for the purposes of each 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 6000/2014 as it forms part of UK domestic law by virtue of the EUWA; 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 manufacturers; target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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

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 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 RMB7.0651 to US$1.00 (the noon buying rate in New York City on 30 June 2020 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.

ENFORCEABILITY OF CIVIL LIABILITIES

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

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view towards developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. Where adequate law exists in China, the enforcement of existing laws or contracts based on existing law may be nevertheless uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. In addition, the PRC legal system is based on written statutes and their interpretations, and prior court decisions may be referenced but carry limited weight as precedents.

We have been advised by our PRC legal advisors, Allbright Beijing Law Office, that there is uncertainty as to whether the courts of the PRC would:

(1) enforce judgments of the U.S. courts obtained against us or our directors and officers predicated upon the civil liability provisions of the U.S. federal or state securities laws, and China does not have treaties for the reciprocal enforcement of judgments with the United States; or

(2) entertain original actions brought in the courts of the PRC, against us or our directors and officers predicated upon the U.S. federal or state securities laws.

We have been advised by our Cayman Islands legal advisors, Conyers Dill & Pearman, that there is uncertainty as to whether the courts of the Cayman Islands would:

(1) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or

(2) in original actions brought in the Cayman Islands, liabilities against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

We have been advised by Conyers Dill & Pearman that the courts of the Cayman Islands would recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts in the United States against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) or, in certain circumstances, an in personam judgment for non-monetary relief, and would give a judgment based thereon **provided that**: (a) such courts had proper jurisdiction over the parties subject to such judgment; (b) such courts did not contravene the rules of natural justice of the Cayman Islands; (c) such judgment was not obtained by fraud; (d) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (e) no new admissible evidence relevant to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (f) there is due compliance with the correct procedures under the laws of the Cayman Islands.

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

We have been advised by our Hong Kong legal advisors, Morgan, Lewis & Bockius, that Hong Kong has no statutory or other arrangement for the reciprocal enforcement of judgments with the United States. Subject to the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Cap 46 of the Laws of Hong Kong) (the "FJO"), a judgment given by the courts of New York could form the basis of a claim in the Hong Kong courts in respect of the judgment debt for which an application for summary judgment could be made.

(1) recognition and/or enforcement of the judgment is not restricted by operation of the provisions of the FJO;

(2) the judgment was not obtained by fraud, misrepresentation or mistake nor obtained in proceedings which contravene the rules of natural justice;

(3) enforcement of the judgment would not be contrary to public policy in Hong Kong;

(4) the relevant court in New York had jurisdiction in accordance with the Hong Kong rules on the conflict of laws;

(5) the judgment is for a definite sum of money which is not payable in respect of taxes or other charges of a similar nature or in respect of a fine or other penalty; and

(6) the judgment is final and conclusive between the parties, but if it is capable of being appealed or an appeal is pending, the proceedings in Hong Kong are likely to be stayed by the courts of Hong Kong pending any such appeal being heard.

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 wholly-owned subsidiary of our Company.
"Antaike"	北京安泰科信息開發有限公司 (Beijing Antaike Information Development Co., Ltd.), an independent specialist market research company engaged by the Company.
"Audit Findings"	The audit findings set out in the letter sent from Ernst & Young on 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 Shandong Weiqiao Textile Group Company Limited (山東魏橋紡織集團有限公司), a limited liability company converted from its predecessor, Zouping County Weiqiao Cotton Spinning Factory (鄒平縣位橋棉紡織廠). As of 30 June 2020, Zhang's Family directly and indirectly held an approximately 51.21% equity interest in Chuangye Group.
"Companies Act"	The Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands.
"Company", the "Issuer" or "our Company"	China Hongqiao Group Limited, a company incorporated on 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 Zhang's Family, Shiping Prosperity Private Trust Company, and Hongqiao Holdings who control the exercise of approximately 68.44% of the voting rights in a general meeting of our Company as of the date of this Offering Circular.

"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 reports 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.
"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.
"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 in the PRC and an indirect wholly-owned 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 the Republic 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.
"July 2019 Notes"	The 7.125% senior notes the Company issued on 15 July 2019 in the aggregate principal amount of US$300,000,000, which will mature on 22 July 2022.
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).
"Main Board"	The Main Board of the Hong Kong Stock Exchange.
"Ms. Zheng"	鄭淑良, Ms. Zheng Shuliang, the wife of Mr. Zhang, the mother of Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong and the mother-in-law of Mr. Yang Congsen.
"NDRC"	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the PRC).
"Negative Reports"	2016 Negative Report and 2017 Negative Reports.
"November 2017 CB" . . .	The US$320,000,000 5.0% convertible bonds due 2022 issued by the Company on 28 November 2017.
"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 the Republic 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.
"September 2019 Notes" .	The 7.375% senior notes the Company issued on 24 September 2019 in the aggregate principal amount of US$200,000,000, which will mature on 2 May 2023.
"Shandong Hongqiao". . .	山東宏橋新型材料有限公司 (Shandong Hongqiao New Material Co., Ltd., previously known as Shandong Weiqiao Dyeing Company Limited (山東位橋染織有限公司)), a limited liability company established in the PRC on 27 July 1994 and an indirect wholly-owned 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.
"U.S. 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.
"Zhang's Family"	Ms. Zheng Shuliang, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong and their direct descendants, one of our Controlling Shareholders.
"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 wholly-owned 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 31 December 2019, 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. All of our aluminum manufacturing bases in China are in close geographic proximity to each other and are connected by our in-house power supply grid. We are connected to other major production bases of downstream aluminum fabrication products, such as Henan Province, Liaoning Province and Jiangsu Province, and major alumina production bases and coal resources in Shandong Province, Shanxi Province and Henan Province, through developed transportation networks.

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 currently have ten manufacturing bases in Indonesia, Yunnan, Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Boxing, Yangxin and Huimin, respectively. Our annual production capacity of aluminum products was approximately 6.46 million tons as of 30 June 2020 with utilization rate of approximately 84.9% for the six months ended 30 June 2020.

We have achieved significant growth in our sales volume of aluminum products since our inception. We sold approximately 6.4 million tons, 5.7 million tons, 2.8 million tons and 2.8 million tons of aluminum products and generated revenue of approximately RMB78,651.3 million, RMB70,995.6 million (US$10,048.8 million), RMB34,894.6 million and RMB33,176.7 million (US$4,695.9 million) from sales of aluminum products for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. During the same periods, we achieved net profit of approximately RMB5,786.3 million, RMB6,455.1 million (US$913.7 million), RMB2,782.7 million and RMB2,804.5 million (US$397.0 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;
- 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

The COVID-19 Pandemic

There has been an outbreak of the coronavirus disease 2019 ("COVID-19") in early 2020 that had endangered the health of many people residing in China and around world and significantly disrupted travel and the local and global economy. The development of such epidemic in China is beyond our control. The COVID-19 outbreak poses potential risks to our business operation and financial condition. See "Risk Factors – Risks Relating to Our Business – We face risks related to health epidemics and other outbreaks, including the COVID-19 pandemic".

Since the outbreak of COVID-19 in early 2020, we have taken the initiatives to assume social responsibilities and maintain our production levels in light of the social distancing and other restrictions imposed by the government authorities. We have also undertaken certain epidemic prevention work, including, but not limited to, temperature measurements of our employees, providing advice on wearing masks, isolation and quarantine of suspected cases, personnel and vehicle tracking, publicity on epidemic prevention and control in our manufacturing facilities and offices, frequent sanitization and disinfection in public areas and distribution of masks to employees. While the COVID-19 outbreak has had certain impact on the daily operations of manufacturing companies, including us, we were able to maintain our production levels in the face of the epidemic and believe we will continue to meet the demands of our customers.

The CBI August 2020 Facility

On 21 August 2020, we entered into a facility agreement with CBI as lender (the "CBI August 2020 Facility"), pursuant to which CBI agreed to advance to us term loans of up to US$95 million for the refinancing of our existing indebtedness. See "Description of Other Material Indebtedness – Term Loan Facility Agreements – The CBI August 2020 Facility" for further information.

Placing and Subscription of Shares

On 25 November 2020, we and Hongqiao Holdings entered into a placing and subscription agreement with CMB International Capital Limited and UBS AG Hong Kong Branch, as the placing agents, pursuant to which the placing agents agreed to place up to 307,500,000 existing ordinary shares of the Company owned by Hongqiao Holdings to independent placees and Hongqiao Holdings agreed to subscribe for and we agreed to allot and issue to Hongqiao Holdings, conditionally upon the successful placing of the existing shares, up to 307,500,000 new ordinary shares of the Company.

The placing and the subscription were completed on 27 November and 2 December 2020, respectively. An aggregate of our 307,500,000 existing shares were placed at a price of HK$6.30 per share and an aggregate of 307,500,000 new shares were subscribed for at the same price of HK$6.30 per share. The net proceeds from the subscription amounted to approximately HK$1.9 billion, which were intended to be used by us for the development of the production lines for secondary aluminum and light-weight materials and the replenishment of the Group's general working capital. No individual placee became a substantial shareholder (as defined under the Listing Rules) of the Company immediately after the completion of the placing and the subscription.

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 (the "Company").
Issue	US$300,000,000 5.25 per cent. Convertible Bonds due 2026 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 25 January 2021 at the rate of 5.25 per cent. per annum, payable semi-annually in arrear on 25 January and 25 July of each year beginning on 25 July 2021.
Issue Date	25 January 2021.
Maturity Date or Stated Maturity of the Bonds.	25 January 2026.
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*".
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*".

Status of the 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. 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*". The initial Subsidiary Guarantors that will execute the Trust Deed on the Issue Date will consist of China Hongqiao Investment Limited, Hongqiao Investment (Hong Kong) Limited and Hongqiao (HK) International Trading Limited.
Taxation	All payments of principal of, and premium (if any) and interest on, the Bonds or under the Subsidiary Guarantees will be made 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 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 as 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 7 March 2021 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 Maturity Date (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*".
Conversion Price	The price at which Shares will be issued upon exercise of a Conversion Right (the "**Conversion Price**") will initially be HK$8.91 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 100.0 per cent. of its principal amount together with accrued and unpaid interest thereon on 25 January 2026. See "*Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Maturity*".

Redemption for Taxation Reasons	The Company may redeem all and 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), 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 not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee (which notice will be irrevocable), 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; provided that prior to the date of such notice 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 25 January 2023 (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 November 2017 CB. Hongqiao Holdings (the "**Major Shareholder**") has executed a lock-up undertaking whereby it undertakes not to sell Shares or enter into other transactions with a similar effect for a period from the date of the undertaking to 90 days after the Issue Date.
Cross Default.	The Bonds may be accelerated in the event that, *inter alia*, (a) any other present or future indebtedness of the Company or any of its subsidiaries (as defined in the Conditions) for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Company or any of its subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in Condition 10(v) *(Cross-Default)* of the Conditions have occurred equals or exceeds US$30.0 million or its equivalent in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantees or indemnity. For a description of certain other events that will permit acceleration of repayment of the principal amount together with accrued interest (if any) of the Bonds, 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 and the first payment of interest on them, the post-issue filing with the NDRC 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 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	XS2264840864/226484086.
Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Offering, the Issuer, the Company, any subsidiary or associated company of the Issuer or the Company, the Bonds or the Shares. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require. The Company has submitted application for listing of the Shares issuable upon conversion of the Bonds on the Hong Kong Stock Exchange and has undertaken to apply to have the Shares, issuable upon conversion of the Bonds, approved for listing on the Hong Kong Stock Exchange and any Alternative Stock Exchange (as defined in Condition 6 *(Conversion)* of the Conditions) on which its Shares are listed from time to time.
Trustee	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Principal Paying Agent and Principal Conversion 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*".

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 from our audited consolidated financial statements for the years ended and as of 31 December 2018 and 2019, which have been audited by SHINEWING (HK) CPA Limited, and are included elsewhere in this Offering Circular, and unaudited interim condensed consolidated financial statements for the six months ended and as of 30 June 2019 and 2020, which have 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		
	2018	2019	2019	2019 (Unaudited)	2020 (Unaudited)	2020 (Unaudited)
	RMB	RMB	US$	RMB	RMB	US$
	(in thousands, except percentages)					
Revenue	90,194,924	84,179,288	11,914,805	41,430,060	39,938,675	5,652,953
Cost of sales	(74,794,362)	(67,715,035)	(9,584,441)	(33,787,534)	(33,470,276)	(4,737,410)
Gross profit	15,400,562	16,464,253	2,330,364	7,642,526	6,468,399	915,543
Other income and gains	2,135,396	3,140,517	444,511	1,880,232	1,075,567	152,237
Share of gains of associates	429,545	509,345	72,093	376,878	354,279	50,145
Selling and distribution expenses	(371,206)	(449,041)	(63,558)	(291,648)	(152,559)	(21,593)
Administrative expenses	(3,867,211)	(3,645,691)	(516,014)	(1,556,076)	(1,858,407)	(263,043)
Other expenses	(706,916)	(2,166,798)	(306,690)	(1,221,067)	(362,421)	(51,297)
Financial costs	(4,433,389)	(5,219,595)	(738,786)	(2,923,576)	(2,210,955)	(312,940)
Changes in fair value of derivative	397,683	138,077	19,544	(24,896)	86,166	12,196
Loss on disposal of a subsidiary	(648,772)	–	–	–	–	–
Profit before taxation	8,335,692	8,771,067	1,241,464	3,882,373	3,400,069	481,248
Income tax expense	(2,549,440)	(2,315,924)	(327,798)	(1,099,670)	(595,591)	(84,300)
Profit for the year/period	5,786,252	6,455,143	913,666	2,782,703	2,804,478	396,948
Profit for the year/period attributable to owners of the Company	5,407,422	6,095,335	862,739	2,477,037	2,831,849	400,822
Non-controlling interests	378,830	359,808	50,927	305,666	(27,371)	(3,874)
	5,786,252	6,455,143	913,666	2,782,703	2,804,478	396,948
Earnings per share						
Basic	0.6218	0.7087	0.1003	0.287	0.330	0.0467
Diluted	0.5936	0.6979	0.0988	0.287	0.325	0.0460
Other financial data (unaudited)						
EBITDA(1)	21,523,638	21,923,345	3,103,348	10,822,630	9,358,080	1,324,550
EBITDA margin(2)	23.9%	26.0%	26.0%	26.1%	23.4%	23.4%
Total debt(3)	82,900,032	78,878,741	11,164,561	78,436,239	80,891,079	11,449,389
Net debt(4)	36,263,145	35,597,658	5,038,521	51,210,247	38,309,208	5,422,316
Total debt/EBITDA	3.85	3.60	3.60	3.62	4.32	4.32
Net debt/EBITDA	1.68	1.62	1.62	2.37	2.05	2.05
EBITDA/Finance cost	4.85	4.20	4.20	3.70	4.20	4.20

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(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 Conditions 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 Conditions 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		
	2018	2019	2019	2019 (Unaudited)	2020 (Unaudited)	2020 (Unaudited)
	RMB	RMB	US$	RMB	RMB	US$
	(in thousands)					
Profit and other comprehensive income for the year	5,786,252	6,455,143	913,666	2,782,703	2,804,478	396,948
Interest income	(691,914)	(418,408)	(59,222)	(173,451)	(246,918)	(34,949)
Finance costs	4,433,389	5,219,595	738,786	2,923,576	2,210,955	312,940
Taxation	2,549,440	2,315,924	327,798	1,099,670	595,591	84,300
Depreciation and amortization	7,346,576	7,413,708	1,049,342	3,644,190	3,543,744	501,584
Foreign exchange losses (gains)	794,178	178,459	25,259	30,173	198,467	28,091
Impairment loss recognised in respect of goodwill	656,945	–	–	–	99,243	14,047
Impairment loss recognised in respect of property, plant and equipment	–	1,727,404	244,498	1,174,743	152,520	21,588
Reversal of impairment of property, plant and equipment	–	(968,480)	(137,079)	(658,974)	–	–
Loss on disposal of a subsidiary	648,772	–	–	–	–	–
EBITDA	21,523,638	21,923,345	3,102,471	10,822,630	9,358,080	1,324,550

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

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

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

Statements of Financial Position

	As of 31 December			As of 30 June	
	2018	2019	2019	2020 (Unaudited)	2020 (Unaudited)
	RMB	RMB	US$	RMB	US$
			(in thousands)		
NON-CURRENT ASSETS					
Property, plant and equipment	76,361,390	71,019,374	10,052,140	66,370,358	9,394,114
Right-of-use assets	–	5,152,415	729,277	5,254,570	743,736
Intangible assets	22,673	24,884	3,522	28,878	4,087
Prepaid lease payments	4,915,054	–	–	–	–
Investment properties	143,606	–	–	–	–
Deposit paid for acquisition of property, plant and equipment	206,324	513,617	72,698	583,493	82,588
Deferred tax assets	1,865,927	2,084,454	295,035	2,243,738	317,581
Interests in associates	1,895,401	4,723,329	668,544	5,319,312	752,900
Loan to an associate	–	2,000,000	283,082	–	–
Goodwill	608,818	608,818	86,173	509,575	72,126
Financial asset at fair value through other comprehensive income	908,170	289,339	40,953	230,692	32,652
Financial asset at amortised cost	–	–	–	1,000,000	141,541
	86,927,363	86,416,230	12,231,424	81,540,616	11,541,325
CURRENT ASSETS					
Prepaid lease payments	132,414	–	–	–	–
Inventories	19,805,561	21,846,922	3,092,231	21,335,966	3,019,910
Trade receivables	6,750,578	10,311,326	1,459,473	9,491,923	1,343,495
Bills receivables	11,726,626	11,139,775	1,576,733	8,155,954	1,154,400
Prepayments and other receivables	4,747,463	6,075,312	859,905	8,753,539	1,238,983
Financial asset at fair value through profit or loss	–	2,005	284	–	–
Other financial assets	–	819	116	1,742	247
Loan to an associate	–	–	–	2,000,000	283,082
Income tax recoverable	–	–	–	88,814	12,571
Restricted bank deposits	1,256,474	1,423,967	201,549	1,502,395	212,650
Cash and cash equivalents	45,380,413	41,857,116	5,924,490	41,079,476	5,814,422
	89,799,529	92,657,242	13,114,781	92,409,809	13,079,760
Non-current assets classified as held for sale	–	530,973	75,154	–	–
	89,799,529	93,188,215	13,189,935	92,409,809	13,079,760
CURRENT LIABILITIES					
Trade and bills payables	16,661,437	18,215,656	2,578,259	13,025,723	1,843,671
Other payables and accruals	11,840,680	13,379,843	1,893,794	10,645,789	1,506,814
Bank borrowing – due within one year	18,933,735	29,054,849	4,112,447	30,748,735	4,352,201
Income tax payable	1,460,994	1,727,235	244,474	1,477,255	209,092
Other borrowing – due within one year	–	1,391,446	196,946	1,413,244	200,032
Other financial liabilities	–	3,300	467	12,319	1,744
Lease liabilities	–	28,874	4,087	25,081	3,550
Short-term debentures and notes	4,000,000	–	–	–	–
Medium-term debentures and bonds – due within one year	1,752,756	1,495,784	211,714	21,057,536	2,980,501
Guaranteed notes	3,078,664	–	–	–	–
Deferred income	19,450	22,330	3,161	20,309	2,875
TOTAL CURRENT LIABILITIES	57,747,716	65,319,317	9,219,872	78,425,991	11,100,479
NET CURRENT ASSETS	32,051,813	27,868,898	3,944,586	13,983,818	1,979,281
TOTAL ASSETS LESS CURRENT LIABILITIES	118,979,176	114,285,128	16,176,010	95,524,434	13,520,606
CAPITAL AND RESERVES					
Share capital	566,172	559,090	79,134	559,090	79,134
Reserves	59,399,189	62,605,028	8,861,167	62,770,353	8,884,567
Equity attributable to owners of the Company	59,965,361	63,164,118	8,940,301	63,329,443	8,963,701
Non-controlling interests	2,654,136	2,851,858	403,654	3,146,649	445,379
TOTAL EQUITY	62,619,497	66,015,976	9,343,955	66,476,092	9,409,080
NON-CURRENT LIABILITIES					
Lease liabilities	–	61,859	8,756	51,073	7,229
Bank borrowings – due after one year	11,263,803	3,519,628	498,171	3,831,035	542,248
Liability component of convertible bonds	1,012,052	1,150,555	162,850	1,241,102	175,667
Derivatives component of convertible bonds	415,195	279,937	39,623	189,833	26,869
Deferred tax liabilities	670,982	721,545	102,128	713,908	101,047
Medium-term debentures and bonds – due after one year	41,077,258	38,529,229	5,453,458	18,895,489	2,674,483
Guaranteed notes	–	3,457,313	489,351	3,514,105	497,389
Other borrowing – due after one year	1,366,569	–	–	–	–
Deferred income	553,820	549,086	77,718	611,797	86,594
TOTAL NON-CURRENT LIABILITIES	56,359,679	48,269,152	6,832,055	29,048,342	4,111,526

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 2018, 2019 and the six months ended 30 June 2019 and 2020, the average selling price of our own aluminum products per ton was approximately RMB12,370, RMB12,496 (US$1,769), RMB12,261 and RMB11,791 (US$1,669), 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 and 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 margin for the year ended 31 December 2017 decreased to approximately 16.7% from 23.1% for the year ended 31 December 2016 as the increase of our raw material costs outpaced the increase in the selling prices of our aluminum products. Our gross margin for the year ended 31 December 2018 was approximately 17.1%, which remained stable compared to that for the year ended 31 December 2017. If prices of our raw materials increase while the market prices of our products decrease or do not increase correspondingly for any reason, our business, financial condition, results of operations and prospects will be materially and adversely affected.

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.

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 China's Shandong Province. 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, which resulted in the decrease in the production volume of the Group's aluminum alloy products during the year 2019.

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 National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology, the Ministry of Land and Resources and the Ministry of Environmental Protection jointly issued the Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects* (《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 7.436 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 are 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 雲南宏泰新型材料有限公司 (Yunnan Hongtai New Material Co., Ltd.). As of the date hereof, 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 before the newly built production lines owned by 雲南宏泰新型材料有限公司 (Yunnan Hongtai New Material Co., Ltd.) begin to operate. 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 (煤電機組) 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.

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.

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. Most of our aluminum products are sold to downstream customers in the PRC and we are not directly subject to international import tariffs. However, 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 Chinese 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, because alumina is one of the principal components of our cost of goods sold, accounting for approximately 67.6%, 66.2%, 67.4% and 69.1% of our total purchase cost of raw materials for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively, the price of alumina has a significant impact on our profitability. According to Antaike, the average price of alumina (not including taxes) in China was approximately RMB2,980 per ton and RMB2,694 per ton (US$381.3 per ton) for 2018 and 2019, respectively. 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 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 purchase alumina from Gaoxin, an undisclosed related party, at a price lower than market price constituting a subsidy to our Group; (d) we continuously booked negative free cash flow with significant debt size increase; and (e) our capital expenditures have continued to increase. In response to these negative allegations, our Company has provided a detailed refutation of the allegations contained in the Negative Reports in a number of public announcements, including the announcements of our Company dated 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 engaged special legal counsel and filed a lawsuit against the relevant parties in court in Hong Kong to seek remedy for defamation. However, there can be no assurance that we will win our court case. There can also be no assurance that new reports will not be published containing the same or further allegations regarding the Company and our business. Although we may, as we did in the past, defend ourselves against any such allegations through legal and administrative proceedings as appropriate, we cannot assure you that such proceedings will result in a ruling or decision to our favor nor that the negative publicity effect imposed by those allegations would be eliminated or reduced upon a positive ruling. Any such negative publicity or unfavorable research reports, even if malicious or prepared on an unfounded factual basis, could have a material adverse effect on the trading price of the 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 the Company and Ernst & Young to reach a consensus in relation to an independent investigation on its Audit Findings, resigned as the auditors of our Group with effect from 27 April 2017. See "Business – Change of Auditors."

Subsequently, pursuant to a letter from the Hong Kong Stock Exchange, certain conditions for resumption of trading in our Shares were set out, including that we address the Audit Findings and clarify the allegations in the 2016 Negative Report and the 2017 Negative Report, publish all outstanding financial results and address any audit qualifications and inform the market of all material information. Following the appointment of SHINEWING (HK) CPA Limited as the new auditors of the Company on 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.

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. In 2018, 2019 and the six months ended 30 June 2019 and 2020, our five largest suppliers together accounted for approximately 38.0%, 41.9%, 44.7% and 52.3%, respectively, of our total procurement costs, with our largest supplier accounting for approximately 14.4%, 21.7%, 25.7% and 18.5%, respectively.

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

In particular, alumina and electricity are two principal cost components of our cost of sales. Although we have increased our own in-house production, nonetheless, we expect to continue to purchase substantial amounts of alumina and electricity for the foreseeable future. We purchase alumina from a limited number of suppliers. In addition, in 2016 and 2017 we procured all electricity that we did not self-produce from a single external supplier, as we had done since January 2010. Beginning in January 2018, we stopped purchasing alumina and electricity from the supplier which had provided the majority of our purchased alumina and all of our externally purchased electricity for the years ended 31 December 2016 and 2017, and for several 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.

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

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 "Bingzhou Weiqiao Group has illegally buried hazardous wastes in excess of 150,000 tons in the mud field". Rectification measures required to be taken includes clean up and transship these hazardous wastes, dispose hazardous wastes efficiently and improve environmental management etc. Our Group has made rectifications as required, among others, paid up fines, build up a temporary storage and clean up and transship 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 satisfies 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 Ministry of Environmental Protection (the "MOEP") 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 MOEP, 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.

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 joint venture company in Indonesia commenced operations in the first half of 2016, and we commenced construction of the second phase of such alumina production facilities, with the same alumina production capacity in the first half of 2019. 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 Wining Singapore International Group for the purpose of developing a bauxite mining project in the Republic of 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. And we are in the process of transferring part of the Group's existing electrolytic aluminum production equipment to Yunnan Province. 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.

Furthermore, we cannot assure you we have sufficient experience and expertise in 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 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 ventures alumina production plant commenced operations in the first half of 2016. 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 Wining Singapore International Group for the purpose of developing a bauxite mining project in the Republic of 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. 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 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.

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 59.4%, 55.1%, 56.1% and 57.9% of our revenue of continuing operations for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. Our largest customer accounted for approximately 39.9%, 35.6%, 36.9% and 39.1% of our revenue of continuing operations for the same periods. We have relatively short relationship histories with some of our top customers.

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; and (iii) factors that affect the development of the aluminum production industry. 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 74.8%, 70.5%, 70.6% and 66.5% of our total revenue for years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, 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 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.

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 RMB25,613.7 million, RMB22,363.0 million (US$3,165.3 million), RMB11,093.1 million and RMB10,948.7 million (US$1,549.7 million) for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. We have been able to meet our electricity needs by generating electricity using our own thermal power stations and by purchasing from our existing external supplier. However, we may experience increased electricity costs, electricity shortages or disruptions in 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 25.5%, 24.5%, 23.8% and 17.2% of our total cost of sales for 2018, 2019 and the six months ended 30 June 2019 and 2020, 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 chose 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. If there is a significant increase in our electricity costs as a result of an increase in coal cost or other reasons, an insufficient electricity supply to satisfy our production needs or any disruption in electricity supply, 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 RMB4,168.9 million, RMB3,228.5 million (US$457.0 million), RMB1,789.5 million and RMB2,658.1 million (US$376.2 million) for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively, which were primarily used in the expansion of our production capacity, construction of ancillary captive power facilities and our alumina production 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, as of 31 December 2016, we had net current liabilities of RMB873.6 million. While we had net current assets of RMB10,581.5 million as of 31 December 2017, net current assets of RMB32,051.8 million as of 31 December 2018, net current assets of RMB27,868.9 million as of 31 December 2019 and net current assets of RMB13,983.8 million as of 30 June 2020, we cannot assure you we will not have net current liabilities again in the future, which could limit our working capital for the purposes of operations or capital for our future plans. We may need to raise additional funds to meet our 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 plan 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. The People's Bank of China (the "PBOC") decreased the benchmark one-year lending rate four times in 2015, and subsequently increased in a new benchmark one-year lending rate of 4.35%. As of 30 June 2020, the benchmark one-year lending rate was 4.35%. However, increases in interest rates might occur in the future. Increases in interest rates increase our financing costs. 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 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 Zhang's Family, our Controlling Shareholder, may differ from those of our Group and the holders of the Bonds, and Zhang's Family has the ability to cause us to make decisions that may not be in the best interests of the holders of the Bonds.

Zhang's Family, our Controlling Shareholder, currently beneficially owns approximately 68.44% of the issued share capital of our Company. As such, Zhang's Family has, and will continue to have, substantial influence over our business. We cannot assure you that Zhang's Family 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 the 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 the Group's members are in the process of obtaining valid land use rights certificates for certain properties. If the 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.

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 November 2017 CB may impact our profit or loss.

We issued our US$320,000,000 5.0% convertible bonds due 2022 on 28 November 2017. The November 2017 CB which contain both liability and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of fixed amount of cash or another financial instrument for a fixed number of our Company's own equity instruments and redemption options) are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument. Multiple embedded derivatives are generally treated as a single compound derivative. Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the date of issue, both the liability and the compound derivative components of the November 2017 CB are recognised at fair value. The fair value of the compound derivative components of the November 2017 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 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. As a result of such financial crises, growth rates of aluminum consumption in China might slow down, and the prices of aluminum products could experience dramatic fluctuations. Furthermore, banks' lending policies and the availability of credit to non-state-owned entities, such as ourselves, are significantly influenced by global financial conditions, governmental policies and levels of investor confidence in credit markets, which in turn affect the costs or availability of funding for entities like us. If global or regional economic downturns occur or there are other prolonged disruptions to the credit markets, this could limit our ability to raise funds from our current or other funding sources or cause the funds to become more expensive, either of which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

Any prolonged occurrence or recurrence of these pandemic diseases or other adverse public health developments in China or any of the major markets in which we do business, or the fear of such development, may have a material adverse effect on our business and operations. These could include our ability to deliver our products, as well as temporary closure of our manufacturing facilities, or our customers' facilities, leading to delayed or cancelled orders. Any severe travel or shipment restrictions and closures would severely disrupt our operations and adversely affect our business, financial condition and results of operations.

Risks Relating to Our Industry

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 the 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 Chinese 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 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 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 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 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 7.436 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.

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

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

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

Pursuant to the Economic Substance (Companies and Limited Partnerships) Act, 2018 of the British Virgin Islands ("BVI ES Act") that came into force on 1 January 2019, a BVI "legal entity" engaged in "relevant activities" is required to satisfy the economic substance test set out in the BVI ES Act. A BVI entity is not a "legal entity" while it is tax resident in another jurisdiction (other than a jurisdiction listed on the European Union list of non-cooperative jurisdictions for tax purposes) or a limited partnership that does not have legal personality.

Some of our subsidiaries are business companies incorporated under the laws of the BVI and constitute a BVI "legal entity" and may be required to have some form of economic substance in the BVI under the BVI ES Act.

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 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. Recently, the PRC government has taken measures to tighten the control over bank lending. Any adverse change in the economic, political and social conditions or government policies in China could have a material adverse effect on 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 (including its appendixes), or Circular 37, applies to our Company and Zhang's Family, the Controlling Shareholder of our Group. If the foreign exchange control system prevents us from converting Renminbi into foreign currencies or vice versa, and obtaining sufficient Renminbi or foreign currency to satisfy our currency demands, our ability to transfer Renminbi to fund our business operations in China or to service our 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 may be treated as income derived from sources within the PRC and may be subject to withholding tax and gains from the transfer of the 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 US 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 RMB6.65 per U.S. dollar on 30 June 2016. 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 US dollars we receive from the offering into Renminbi for our operations, appreciation of the Renminbi against the US dollar could have a material adverse effect on the value of the net proceeds we will receive from the offering in US 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 Initial Purchasers 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. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. 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 not less than 30 nor more than 60 days' notice to the Bondholders 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; provided that prior to the date of such notice 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.

Any failure to complete the post-issuance report to the NDRC in connection with the Bonds may have adverse consequences for the Company and/or the investors of the Bonds.

The NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (FAGAIWAIZI [2015] No. 2044)(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)(the "**NDRC Circular**") on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, the enterprise must, prior to issuing such bonds, make filing with the NDRC so as to obtain a registration certificate from the NDRC in respect of the issuance. Such enterprise must also notify certain details of the bonds to the NDRC within 10 business days of the completion of the bond issuance.

We have completed the pre-issuance registration with the NDRC and obtained the registration certificate on 6 November 2020. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issuance notification requirement under the NDRC Circular. If we do not report the post-issuance information with respect to the Bonds within the timeframe as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on us which may have a material adverse impact to our business, financial condition or results of operations. In the worst case scenario, such noncompliance with the post-issuance notification requirement under the NDRC Circular may result in it being unlawful for us to perform or comply with any of our obligations under the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. We have undertaken to notify NDRC of the particulars of the issue of the Bonds within the prescribed timeframe after the Issue Date.

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 request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions 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 actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed and in such circumstances, or where there is uncertainty or dispute as to the applicable law or regulations, to the extent permitted by the agreements and the applicable law and regulations, it would be for the Bondholders to take such actions 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.

Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

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 bankruptcy law in other jurisdictions. 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 law, 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 defraud creditors (whenever the transaction took place, and irrespective of insolvency);

- 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;

- 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. Additionally, a guarantee will only be vulnerable if it is given within the six month period preceding the commencement of liquidation, or, if the guarantee and beneficiary are connected entities, two years.

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.

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 SGX-ST, 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 SGX-ST. The disclosure standards imposed by the SGX-ST 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 discounts and other commissions and other estimated expenses payable in connection with this offering, are estimated to be approximately US$294 million. We intend to apply the net proceeds from this offering for refinancing certain existing indebtedness, capital expenditure 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 an adjustment to the mechanism of determining the midpoint price of Renminbi to the U.S. dollar depreciated by 4.78% from 10 August to 27 August 2015, and further fluctuated in following months. On 30 November 2015, the executive board of the International Monetary Fund decided to add Renminbi to the basket of currencies with special drawing rights ("SDR"), and thereby expanding the SDR currency basket to five types of currency: the US dollar, euro, Renminbi, yen and British pound. The new SDR currency basket became effective 1 October 2016 and Renminbi weighed approximately 10.92% of the basket.

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:

	Noon Buying Rate			
Period	**End**	**Average[(1)]**	**High**	**Low**
	(RMB per US$1.00)			
2016	6.9430	6.6388	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9081	7,1786	6.9822
2020	6.5250	6.5393	6.5705	6.5208
July	6.9744	7.0041	7.0703	6.9744
August	6.8474	6.9270	6.9799	6.8474
September	6.7896	6.8106	6.8474	6.7529
October	6.6919	6.7254	6.7898	6.6503
November	6.5760	6.6029	6.6899	6.5556
December	6.5250	6.5393	6.5705	6.5208
2021 (1 January through 8 January)	6.4750	6.4656	6.4760	6.4550

(1) Annual averages have been calculated from month-end rate. 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 current borrowings and capitalization as of 30 June 2020, on an adjusted basis to give effect to the issuance of the Bonds and receipt of the net proceeds from the offering of the Bonds after deducting the underwriting discounts and 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 2020			
	Actual		As Adjusted for the Bonds	
	RMB	US$	RMB	US$
	(in thousands)			
Total bank borrowings – due within one year	30,748,735	4,352,201	30,748,735	4,352,201
Total bank borrowings – due after one year	3,831,035	542,248	3,831,035	542,248
Medium-term debentures and bonds – due within one year	21,057,536	2,980,501	21,057,536	2,980,501
Medium-term debentures and bonds – due after one year	18,895,489	2,674,483	18,895,489	2,674,483
Bonds to be issued(1)	–	–	2,077,139	294,000
Guaranteed bonds	3,514,105	497,389	3,514,105	497,389
Convertible bonds – liability component	1,241,102	175,667	1,241,102	175,667
Convertible bonds – derivative component	189,833	26,869	189,833	26,869
Other borrowing – due within one year	1,413,244	200,032	1,413,244	200,032
Total debt(2)	80,891,079	11,449,390	82,968,218	11,743,390
Equity				
Capital and reserves				
Share capital	559,090	79,134	559,090	79,134
Reserves	62,770,353	8,884,567	62,770,353	8,884,567
Equity attributable to owners of the Company	63,329,443	8,963,701	63,329,443	8,963,701
Non-controlling interests	3,146,649	445,379	3,146,649	445,379
Total equity(3)	66,476,092	9,409,080	66,476,092	9,409,080
Total capitalization(4)	147,367,171	20,858,470	149,444,310	21,152,470

(1) In accordance with International Accounting Standard Financial Instruments: Presentation, the Bonds are accounted for as compound financial instruments containing both a liability component and an equity component. For illustrative purpose, the aggregate net proceeds we are expecting to receive from the issue of the Bonds (after deducting underwriting commissions and certain estimated offering expenses) will be assumed as the liability component and no allocation to the equity component will be made.

(2) We entered into the CBI August 2020 Facility in an amount up to US$95 million in August 2020, which is not reflected in the table above.

(3) We completed the placement of 307,500,000 existing ordinary shares and subscription and issue of 307,500,000 new ordinary shares in November and December 2020, which are not reflected in the table above.

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

As of 30 June 2020, our total cash and cash equivalents (excluding restricted cash) amounted to RMB41,079.5 million (US$5,814.4 million). Our cash and cash equivalents were mainly held in RMB and US dollars, with approximately 97.9% held in RMB and approximately 1.9% held in US dollars.

As of 30 June 2020,

- we had approximately RMB80,891.1 million (US$11,449.4 million) of consolidated indebtedness outstanding, of which approximately RMB8,533.9 million (US$1,207.9 million) was secured;
- we had offshore outstanding secured indebtedness in principal amounts totaling approximately US$288.6 million. See "Description of Other Material Indebtedness Offshore Financing;" and

- our PRC subsidiaries had indebtedness of approximately RMB68,385.0 million (US$9,679.3 million). In addition, these PRC subsidiaries had capital commitments of approximately RMB828.0 million (US$117.2 million).

Since 30 June 2020, we have continued to enter into short-term and long-term borrowings during our ordinary course of business to finance our operations, including without limitation, the CBI August 2020 Facility in an amount up to US$95 million. See "Description of Other Material Indebtedness" for further information.

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in our indebtedness or capitalization since 30 June 2020.

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 the steel industry. The global consumption of primary aluminum in 2019 was approximately 65.3 million tons, according to Antaike, representing a decrease of approximately 1.3% 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 products primary include molten aluminum alloy, aluminum alloy ingots and aluminum processed products.

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

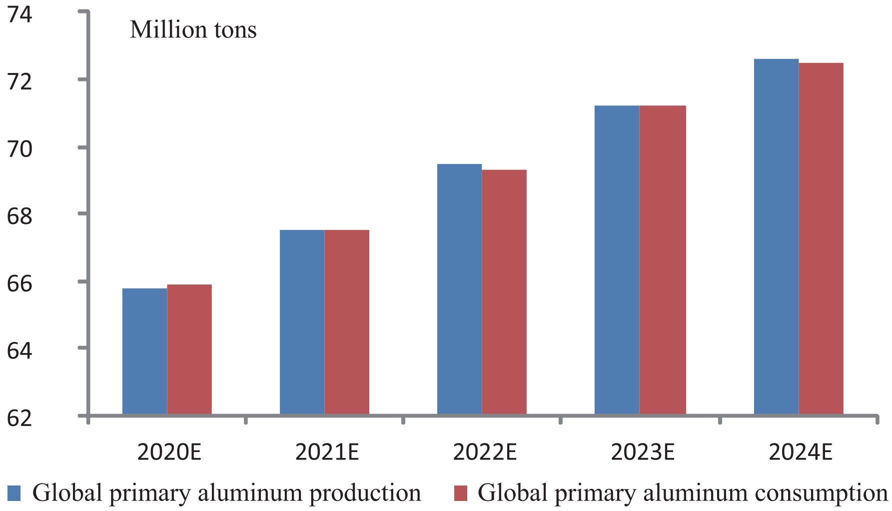
With broad end-use markets, aluminum consumption has been particularly linked to GDP growth.

From 2012 to 2018, worldwide consumption of primary aluminum grew at a CAGR of 5.6%, mainly driven by strong demand from emerging markets, partially from China, Russia, India and Brazil. However, in 2019, the global trade dispute adversely affected manufacturing activities, resulting in increased pressure on global consumption and economic growth. Therefore, the global consumption of primary aluminium decreased by 1.3% in 2019 compared to 2018.

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 2019, China's primary aluminum consumption has accounted for 56.1% of the global consumption.

According to Antaike, overseas consumption of primary aluminum in 2019 was 28.7 million tons, representing a decline of 1.7% from the previous year. It represented 43.9% of the world's total primary aluminum consumption.

Antaike forecasts that primary aluminum consumption between 2020 and 2024 will grow at a CAGR of 2.1% globally (as the following chart shows).

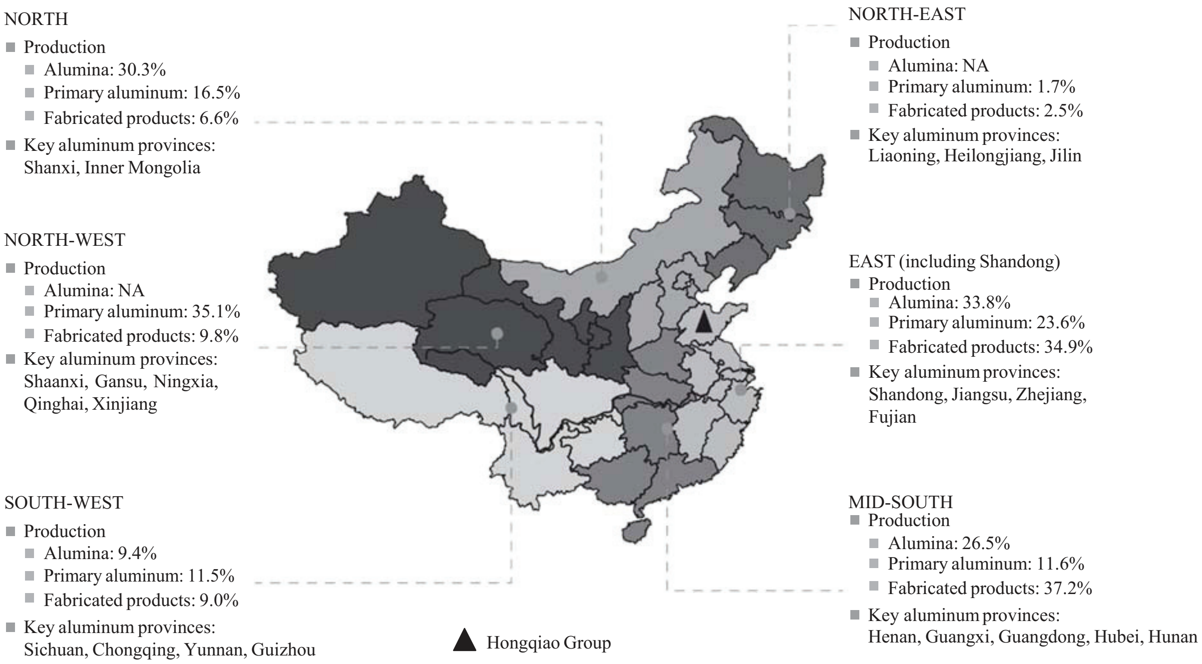


Source: Antaike

PRC ALUMINUM INDUSTRY

Geographical Distribution of Aluminum Production in China

The map below shows the geographical distribution of aluminum production in China for 2019 (as percentages of total production and downstream fabricated products produced in China):



Source: Antaike

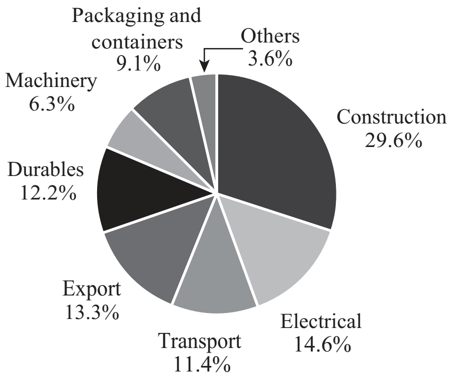
*: Definition of the regions is provided by Antaike as follow:
East region – Shandong, Jiangsu, Anhui, Zhejiang, Jiangxi, Fujian and Shanghai
North-east region – Heilongjiang, Jilin and Liaoning
Mid-south region – Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan
South-west region – Sichuan, Yunnan, 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 2019, Chinese aluminum manufacturers are distributed across 21 provinces in China. East China region, including Shandong Province, where our production facilities are located, is the second largest primary aluminum production region in China, representing 23.6% of the country's primary aluminum production for 2019. Within this region, the Yangtze River Delta is one of the most important and developed economic and manufacturing center in China.

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 12.8%, from RMB16,184.0 billion in 2004 to RMB99,086.5 billion in 2019. 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 2019, China consumed approximately 36.6 million tons of primary aluminum, representing 56.1% of world total consumption. This ratio is expected to reach 56.8% by 2024, according to Antaike. The chart below shows the breakdown of domestic aluminum consumption by end-use in China in the year of 2019.



Source: Antaike

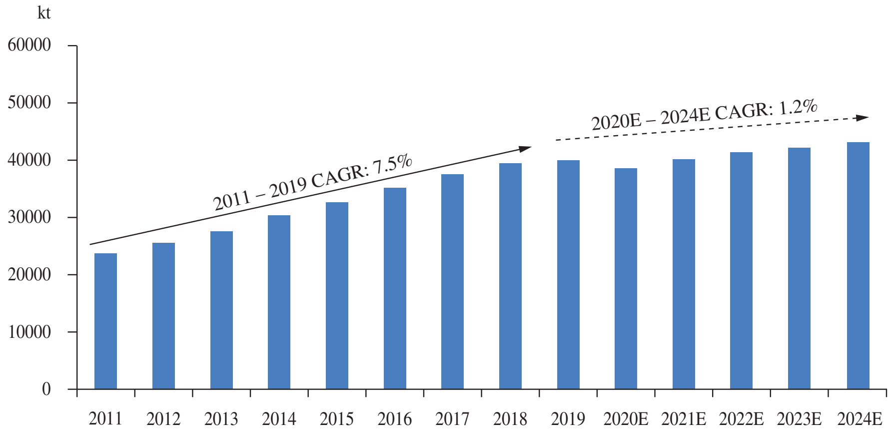
The table below sets forth an overview of the aluminum consumption in China and the United States, Japan, Germany and Canada in the year of 2019.

Aluminum consumption data in 2019

Country	**Total Aluminum Consumption**	**Per Capita Aluminum Consumption**	**Per Capita GDP**
	(ten thousand tons)	**(kg)**	**(US$)**
United States	530	16.2	62,610
Japan	193	15.5	39,200
Germany	211	25.4	44,470
Canada	35	9.4	46,172
China	3,662	26.1	9,769

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 6.7% from 2012 to 2019, and is expected to grow at a CAGR of 1.2% from 2020 to 2024, which will support the future growth of demand for fabricated aluminum products in China.



Source: Antaike

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

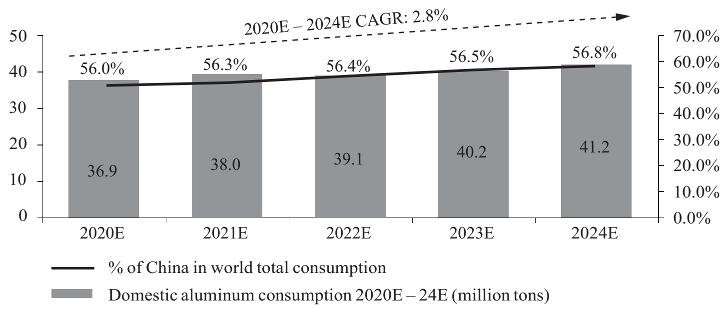
Construction

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 RMB22,484.6 billion in 2009 to approximately RMB56,087.4 billion in 2019, representing a CAGR of 9.6%. 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 15.6% from 2009 to 2018, according to Ministry of Transport, and China surpassed the United States to become the world's largest auto producer in 2009. In 2019, total vehicle ownership in China increased by approximately 32.1 million, according to Ministry of Public Security. However, China's car ownership on a per capita basis of 173 per thousand people as of the end of 2019 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 estimates the aluminum usage in China is currently less than 100 kg per vehicle, as compared to 145 kg in the developed nations. Antaike further estimates the per vehicle aluminum usage in China to increase to 170 kg by 2024. Taken together with the growing vehicle production, it is expected to further drive growth in aluminum demand in China.

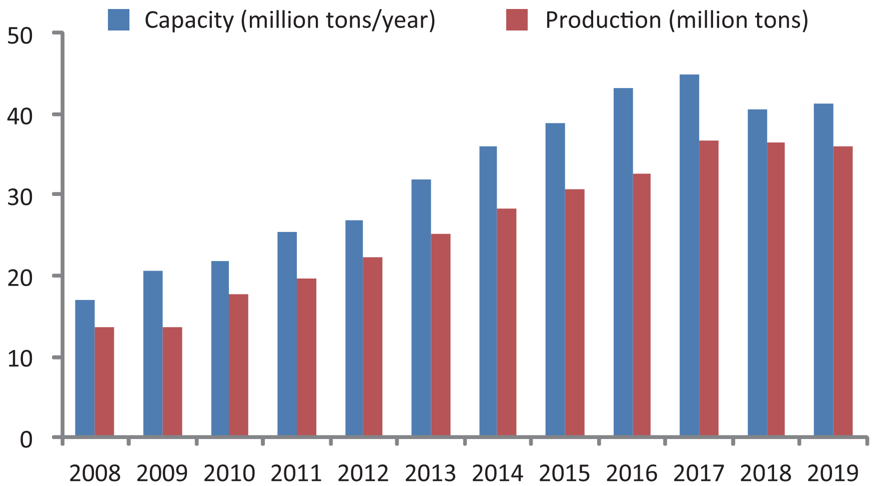
Antaike estimates that China's primary aluminum consumption will grow at a CAGR of 2.8% from 36.9 million tons in 2020 to 41.2 million tons in 2024, as shown in the chart below.



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 6.2% from 25.1 million tons in 2013 to 35.9 million tons in 2019, compared to the CAGR of 4.0% globally during the same period, while China's share of global aluminum output rose from 49.6% to 56.1% 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 2009 to 2019.



Source: Antaike

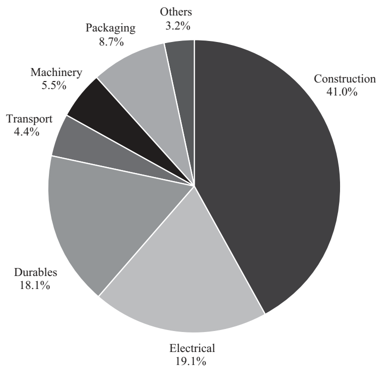
There has also been a sector trend of increasing scale in terms of production capacity and smelter power consumption in the PRC aluminum industry. Average annual production capacity per aluminum manufacturer in China increased significantly from approximately 267,800 tons in 2012 to approximately 432,000 tons in 2019. Meanwhile, capacity associated with over 300 kA smelters accounted for approximately 85.1% of total domestic aluminum capacity as of 31 December 2019.

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 of aluminum fabricated products in the world since 2005 and 2001, respectively, according to Antaike.

Aluminum flat-rolled products and aluminum extraction products are the two key segments in the PRC downstream fabrication sector accounting for approximately 87% of total aluminum fabrication production, according to Antaike.

In 2019, China consumed approximately 35.3 million tons of aluminum fabricated products, according to Antaike. The chart below shows the breakdown of domestic aluminum fabricated product consumption by end-use in 2018. The main users of aluminum fabricated products are from the construction, electrical, durables and packaging.



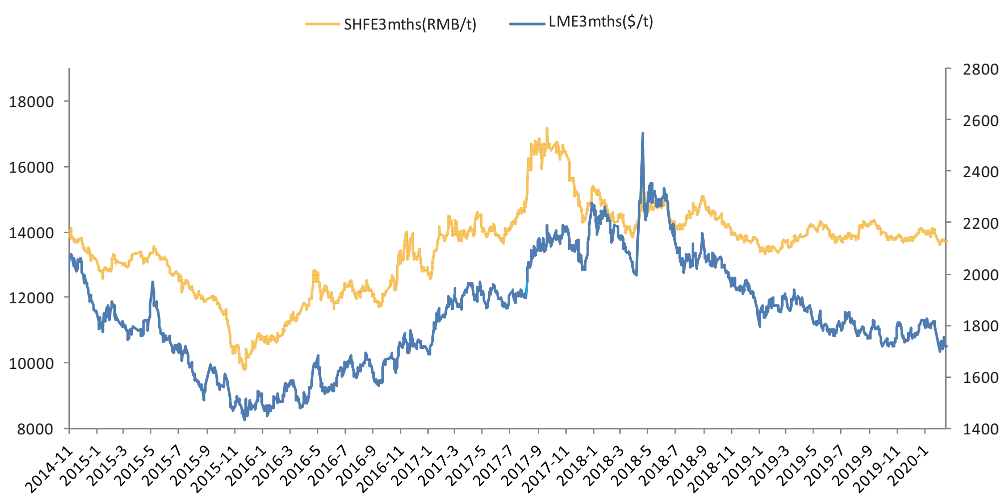
Source: Antaike

Although transportation and packaging only account for a small share (accounting for 4.4% and 8.7% of current fabricated aluminum product consumption in the PRC, respectively) in 2019, we believe they represent two of the key drivers of future demand growth for aluminum fabricated products, given the significant growth potentials in tin cans, food packaging, automotives and urban subway in China. Antaike estimates that China's aluminum fabricated product consumption will grow steadily at a CAGR of 2.3% from 2020 to 2024.

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 SHEF, price from November 2014 to January 2020.



Source: Wind Info.

Following significant decreases in much of 2015, in 2016 the global aluminum price fluctuated but showed a general increasing trend. The aluminum price on the LME increased from approximately US$1,480 per ton in January 2016 to approximately US$1,722 per ton at the end of December 2016 while the average three-month aluminum futures price decreased by approximately 4.6% from approximately US$1,682 per ton to approximately US$1,605 per ton as compared with 2015.

The overall domestic aluminum futures price trend also increased. However, due to the low levels at which prices began at the beginning of the year, average prices were still down as compared with the previous year. In 2016, the LME spot and 3-month future price averaged US$1,604 per ton and US$1,605 per ton, representing a decrease of 3.6% and 4.6%, respectively, from 2015. During the same period, SHFE spot and 3-month future price averaged RMB12,261 and RMB12,101, representing a decrease of 0.1% and 1.6%, respectively, from 2015 levels.

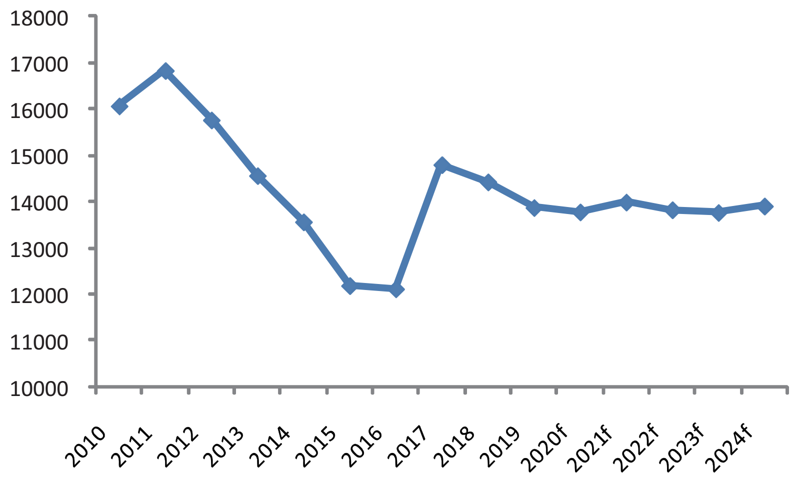
In 2017, aluminum prices rose steadily. The LME spot and 3-month future price averaged US$1,968 per ton and US$1,979 per ton, representing an increase of 22.7% and 23.3% respectively from 2016. During the same period, SHFE spot and 3-month future price averaged RMB14,495 and RMB14,664 per ton (including VAT for both), representing an increase of 18.2% and 21.2%, respectively, from 2016.

In 2018, the trend of domestic and international aluminum prices varied. The international price fluctuated significantly with a slight upward movement, while the domestic price fluctuated downward. The LME spot and 3-month future price averaged US$2,110 per ton and US$2,114 per ton, representing an increase of 7.2% and 6.8%, respectively, from 2017. During the same period, SHFE spot and 3-month future price averaged RMB14,251 and RMB14,432 per ton (including VAT for both), representing a decrease of 1.7% and 1.6%, respectively, from 2017.

2019 witnessed increasing trade friction between the United States and China, which caused volatility in the global economy. Affected by the downward economic pressure, the global aluminum demand demonstrated stagnation, while the addition of new capacity caused supply to increase. This resulted in a shift in supply-demand that resulted in a decline in the price of aluminum. The LME spot and 3-month future price averaged US$1,791 and US$1,813, representing a decrease of 15.1% and 14.2%, respectively, from 2018. During the same period, SHFE spot and 3-month future price averaged RMB13,914 and RMB13,877, respectively, from 2018.

Price Outlook

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



Average 3-month SHFE aluminum prices (RMB/t)

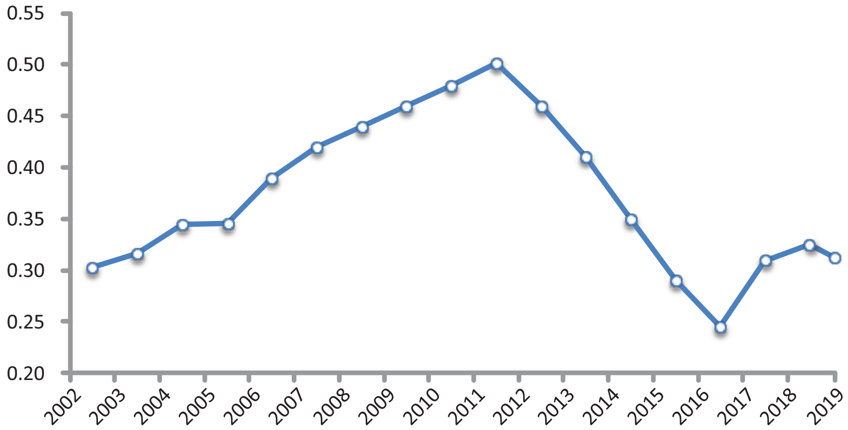
Source: Antaike

Cost Overview

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

Electricity Cost

Electricity costs vary across different regions and aluminum manufacturers in China. The industry average unit electricity cost increased steadily from 2002 to 2011. However, electricity costs decreased in 2012 to 2016, due to decreases in coal prices and increased capacity of aluminum manufacturers to generate electricity in-house. In 2019, the average unit electricity cost was RMB0.30/kWh, representing a decrease of 6.2% from 2018.

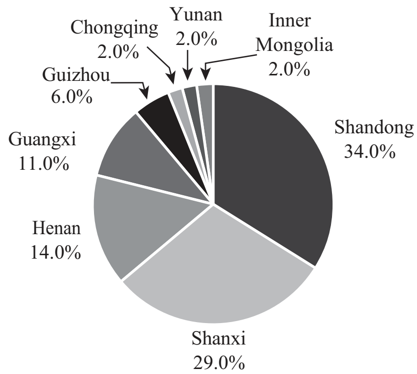


Source: Antaike

With the rapid growth of aluminum smelting capacity in China, electricity supply to this sector has been tight. The electricity cost accounted for 33% of the total production costs of aluminum in China in 2019, 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 2019, a total of 38 aluminum manufacturers in China operated captive power plants. The aluminum production capacity of these manufacturers represents approximately 73.6% 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 RMB647 per ton and RMB508 per ton for 2018 and 2019, respectively.

Alumina Cost

Alumina is another major cost to aluminum production. According to Antaike, China had total annual alumina production capacity of 87.2 million tons as of 31 December 2019. The actual alumina domestic production was 71.6 million tons in 2019. The major alumina manufacturers are located in the Shandong, Henan, Shanxi and Guangxi provinces, among which Shandong, Shanxi and Henan are China's largest alumina producing provinces, representing 34.0%, 29.0% and 14.0% of China's total capacity in the year of 2019, respectively. The geographical distribution of the alumina production capacity is shown in the chart below.



Source: Antaike

According to Antaike, the average prices of alumina produced domestically in China were RMB2,980 per ton and RMB2,694 per ton for 2018 and 2019, respectively, and the average import price of alumina in China was US$472.0 per ton and US$331.0 per ton during the same periods.

Competitive Landscape

As of 31 December 2019, there were a total of 95 aluminum manufacturers in China, according to Antaike. They are located in 21 provinces, with Shandong, Xinjiang and Inner Mongolia as the three largest producing provinces, accounting for 22.4%, 15.2% and 12.6% of domestic capacity as of 31 December 2019, 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 2019 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 2019	Nature of Ownership
		(thousand tons per annum)	
1	Group 1	7,140	State-owned
2	**China Hongqiao Group Limited (our Group)**	6,460	Private
3	Group 2	3,640	Private
4	Group 3	2,530	State-owned
5	Group 4	2,160	Private
6	Group 5	1,720	State-owned
7	Group 6	1,700	State-owned
8	Group 7	1,450	State-owned
9	Group 8	1,370	Private
10	Group 9	1,330	Private
Total (% of China)		**28,550 (72.4%)**	

Source: Antaike

As of 31 December 2019, these ten manufacturers had aggregate designed annual production capacity of approximately 29.5 million tons and accounted for an aggregate of approximately 72.4% of China's total domestic capacity. The table below shows the breakdown of aluminum manufacturers by production capacity as of 31 December 2019.

Breakdown of Aluminum Manufacturers by Designed Capacity (As of 31 December 2019)

Designed Annual Production Capacity	Number of Companies	% of Total Capacity in China
(thousand tons per annum)		
200 or above	67	93.3
300 or above	51	84.4
400 or above	35	72.3
500 or above	27	63.0

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 National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology, the Ministry of Land and Resources and the Ministry of Environmental Protection jointly issued the Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects* (《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 280 aluminum sheets and cords manufacturers and 115 aluminum foils manufacturers in China as of 31 December 2019, with total production capacities of 16.0 million and 5.3 million tons per annum, respectively. The two tables below list out the top five aluminum sheets and cords manufacturers and top five aluminum foils manufacturers in China.

Top Five Aluminum Sheet and Cord Manufacturers in China

Company	**Designed capacity as of 31 December 2019**	**Nature**
	(thousand tons per annum)	
Group 1	1,200	Private
Group 2	800	Private
Group 3	650	Private
Group 4	450	Private
Group 5	400	Private
Total (% of China)	**3,500 (21.9%)**	

Source: Antaike

Top Five Aluminum Foil Manufacturers in China

Company	**Designed capacity as of 31 December 2019**	**Nature**
	(thousand tons per annum)	
Group 1	450	Private
Group 2	240	Private
Group 3	200	Private
Group 4	150	Private
Group 5	80	Private
Total (% of China)	**1,120 (21.1%)**	

Source: Antaike

For aluminum extrusion products, as of 31 December 2019, there were approximately 1,100 manufacturers in China with a total production capacity of 29.5 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 2019**	**Nature**
	(thousand tons per annum)	
Group 1	1,000	Private
Group 2	520	Mixed
Group 3	520	Private
Group 4	500	Private
Group 5	450	Private
Group 6	450	Private
Total (% of China)	**3,440 (11.7%)**	

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 31 December 2019, it had a designed primary aluminum production capacity of approximately 8.9 million tons, which made it the largest aluminum production base in China, accounting for approximately 22.0% of total domestic capacity. In addition, Shandong Province is China's largest alumina supply base, with an annual capacity of approximately 29.6 million tons for 2019, accounting for 34% of domestic alumina capacity.

Shandong Province is also China's largest manufacturing base of downstream aluminum fabricated products, and manufactured approximately 9.8 million tons, or 18.8% of China's total production for 2019.

As of 31 December 2019, there were three aluminum manufacturers in Shandong Province. The table below sets forth the top four aluminum manufacturers in Shandong Province by designed annual production capacity.

Top Four Aluminum Manufacturers in Shandong Province

Company	Designed annual production capacity as of 31 December 2019
	(thousand tons)
China Hongqiao Group Limited (our Group)	6,460
Shandong Group 1[(1)]	1,580
Shandong Group 2	816
Total (as a % of total Shandong Province)	**8,856 (100%)**

Source: Antaike

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

Our primary production facilities are strategically located in Zouping City, one of the main aluminum production bases in Shandong Province. There are two aluminum manufacturers in Zouping City, Zouping Aluminum Co., Ltd. and us, with a total designed annual production capacity of 6,460,000 tons per annum as of 31 December 2019, according to Antaike. We represented approximately 72.9% and 100% of total designed annual production capacity in Shandong Province and Zouping City, respectively, as of 31 December 2019 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

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

Cost Saving

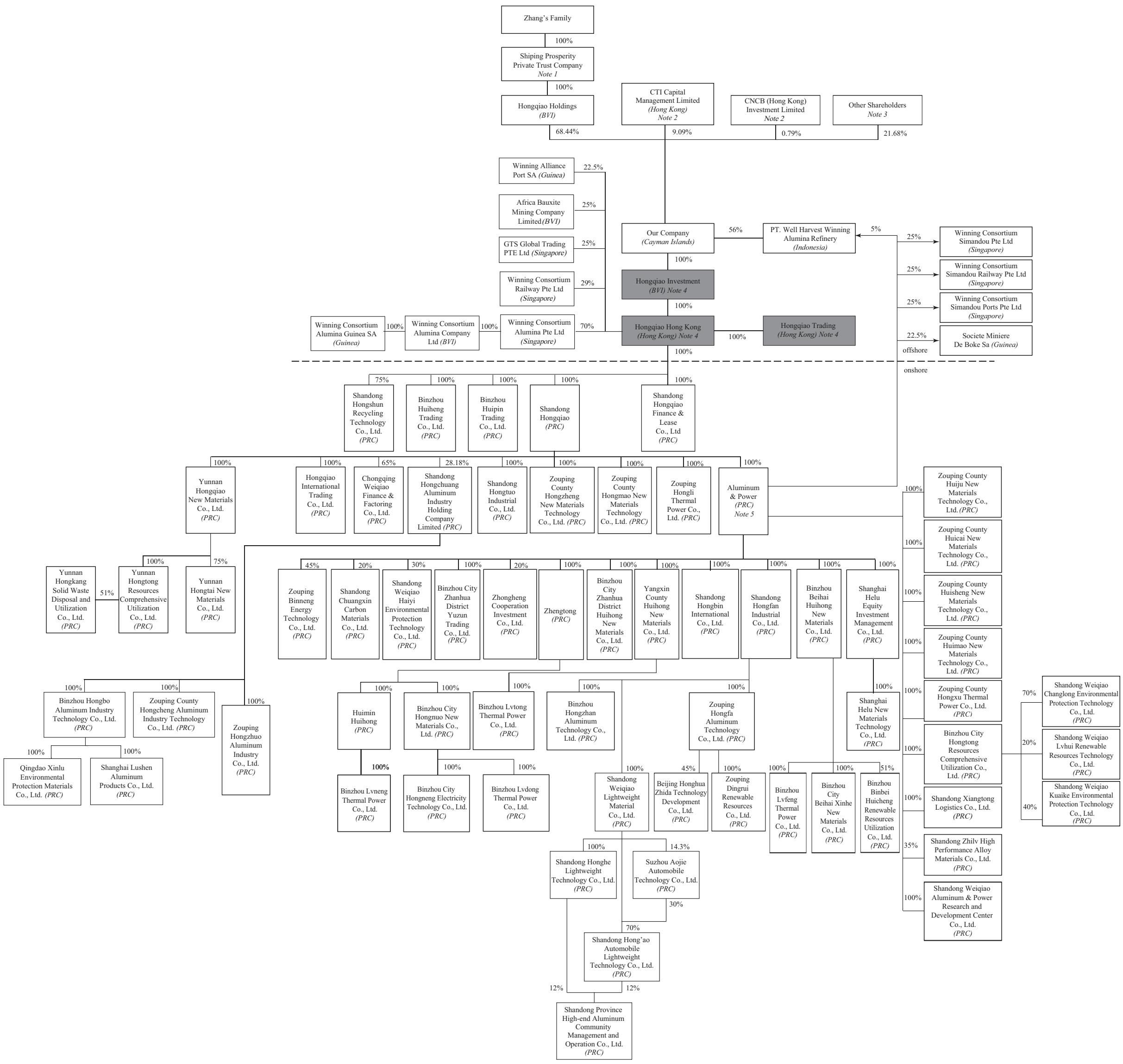
Molten aluminum alloy saves molding costs, and associated energy, labor, storage and other relevant costs for producers. Customers also benefit from saving the energy cost of melting aluminum alloy ingots for further processing, as well as labor and storage costs. Antaike estimates the overall cost benefits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

Molten Aluminum Alloy Supply and Demand in the Zouping Region

Antaike expects the annual production capacity of downstream customers in the Zouping region to grow from 5.2 million tons as of 2020 to 5.4 million tons as of 2024, and annual demand for primary aluminum in the Zouping region to grow from 3.0 million tons in 2020 to 3.2 million tons in 2024. Antaike expects these growth and greater acceptance of molten aluminum to cause demand for molten aluminum to further increase. Antaike expects annual consumption for molten aluminum to grow from 2.8 million tons in 2020 to 3.0 million tons in 2024, representing a CAGR of 1.7%. Furthermore, Antaike expects that 92% of the demand for aluminum in 2024 in the Zouping region will be met by molten aluminum. According to Antaike, the Group's molten aluminum production capacity accounted for 100% of the total molten aluminum production capacity in Zouping as of 31 December 2019.

CORPORATE STRUCTURE

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



Note 1: Shiping Prosperity Private Trust Company (previously known as Prosperity Eastern Limited) holds its shares in Hongqiao Holdings in trust for Zhang's Family. Zhang's Family is the beneficiary under such trust.

Note 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 and CNCB (Hong Kong) Investments Limited, a subsidiary of China CITIC Bank Corporation Limited, which in turn is ultimately controlled by CITIC Group Corporation, subscribed for convertible bonds worth US$320 million, representing approximately 3.66% of our then issued share capital.

Note 3: Mr. Zhang Bo holds approximately 0.1% of the issued share capital of our Company and the public Shareholders hold approximately 21.58% of the issued share capital of our Company.

Note 4: Entities shaded in grey will be the initial Subsidiary Guarantors of the Bonds.

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

OVERVIEW

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of 31 December 2019, 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. All of our aluminum manufacturing bases in the PRC are in close geographic proximity to each other and are connected by our in-house power supply grid. We are connected to other major production bases of downstream aluminum fabrication products, such as Henan Province, Liaoning Province and Jiangsu Province, and major alumina production bases and coal resources in Shandong Province, Shanxi Province and Henan Province, through developed transportation networks.

We currently have ten manufacturing bases in Indonesia, Yunnan, Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Boxing, Yangxin and Huimin, respectively. Our annual production capacity of aluminum products was approximately 6.46 million tons as of 30 June 2020 with utilization rates of approximately 84.9% for the six months ended 30 June 2020.

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 sold approximately 6.4 million tons, 5.7 million tons, 2.8 million tons and 2.8 million tons of aluminum products, and generated revenue of approximately RMB78,651.3 million, RMB70,995.6 million (US$10,048.8 million), RMB34,894.6 million and RMB33,176.7 million (US$4,695.9 million) for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020, respectively. Molten aluminum alloy is our major product, the sales of which accounted for approximately 74.7%, 70.5%, 70.6% and 66.5% of our revenue derived from aluminum products for the years ended 31 December 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. Compared with the production of aluminum alloy ingots, the production of molten aluminum alloy allows us to avoid incurring significant molding and other relevant costs. We are able to provide our customers with molten aluminum alloy due to our close proximity to them, which, we believe, provides us with significant cost and operational advantages and results in other synergies. All of our aluminum alloy ingots are produced with self-manufactured molten aluminum alloy. We also manufacture and sell aluminum fabrication products.

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 in the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020.

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

Our in-house alumina plants commenced production in 2012. In 2018, 2019 and the six months ended 30 June 2019 and 2020, the self-produced alumina used by our Group accounted for 87.1%, 89.9%, 89.2% and 89.3%, respectively, of the alumina we used in our production of our aluminum products. As of 30 June 2020, we had an aggregate annual production capacity of 15.0 million tons of alumina. We produced alumina at a cost below the purchase price of alumina that we purchase externally. The remainder of our required alumina were mainly purchased from a supplier from whom, due to our long-term commitment, bulk purchase, self-pick-up arrangement and deposit, we have been able to purchase alumina from at prices below average market price.

In 2018, 2019 and the six months ended 30 June 2019 and 2020, we produced 78.3%, 81.8%, 83.2% and 64.7%, respectively, of the electricity we used in our production of aluminum products at our thermal power stations. As of 30 June 2020, our power station had an aggregate installed capacity of 10,015 MW. We produced this 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	**2018**		**2019**		**2019**		**2020**	
Total Alumina consumed (million tons)	11.91	100.0%	10.74	100.0%	5.44	100.0%	5.36	100.0%
Self-produced (million tons)	10.37	87.1%	9.66	89.9%	4.85	89.2%	4.79	89.3%
External purchase (million tons)	1.54	12.9%	1.08	10.1%	0.59	10.8%	0.57	10.7%

	For the year ended 31 December		For the six months ended 30 June	
Electricity	**2018**	**2019**	**2019**	**2020**
Total electricity consumed (million KWh)	92,031	82,958	41,942	40,222
Self-produced (million KWh)	72,066	67,901	34,885	26,043
External purchase (million KWh)	19,965	15,057	7,057	14,179
Self-sufficiency rate	78.3%	81.8%	83.2%	64.7%

Our Customers

We sell most of our aluminum products to domestic customers, who are located mainly in Shandong Province as well as in 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 2020, 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 59.4%, 55.1%, 56.1% and 57.9% of our revenue for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. Our history of relationship with our top customers range from seven to fourteen years.

Our largest customer accounted for approximately 39.9%, 35.6%, 36.9% and 39.1% of our revenue for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively.

Our Competitive Strengths

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

Founded in 1994, our Group has developed into a leading large-scale aluminum product manufacturer. As of 31 December 2019, we were the second largest aluminum manufacturer in China in terms of 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 years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020 were approximately 17.1%, 19.6%, 18.4% and 16.2%, respectively, which we believe was among the most competitive in the Chinese aluminum production industry. 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 36.6 million tons of primary aluminum, amounting to 56.1% of world total consumption in 2019. According to Antaike, China's aluminum consumption grew at a CAGR of 5.0% from 2014 to 2019, as a result of the extensive use of aluminum in construction, electrical, transport, consumer durables and packaging. 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, including Indonesia, the Republic of India, Brazil, Malaysia and the Commonwealth of 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 2020, we had an annual production capacity of aluminum of approximately 6.46 million tons. Self-produced alumina satisfied approximately 89.3% of our total alumina demand for the six months ended 30 June 2020 and this self-sufficiency rate is expected to continue to increase as part of our long-term goals to reduce supplier dependency and maintain and further enhance self-sufficiency rate. In addition, our captive power plant had an aggregate installed capacity of 10,015 MW as of 30 June 2020. Self-produced electricity satisfied approximately 64.7% of our total electricity needs for the six months ended 30 June 2020. In addition, we have been actively expanding the manufacture and sale of aluminum fabrication products. Sales of aluminum fabrication products grew from RMB7,135.0 million in 2018, accounting for approximately 7.9% of total revenue for the year, to RMB9,104.6 million in 2019, accounting for approximately 10.8% of our total revenue for the year. Sales of aluminum fabrication products amounted to RMB4,466.5 million for the six months ended 30 June 2019, accounting for approximately 10.8% of total revenue for the period, and amounted to RMB4,134.4 million for the six months ended 30 June 2020, accounting for approximately 10.4% of our total revenue for the period. 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 a 28.18% equity interest in Shandong Hongchuang Aluminum Industry Holding Company Limited in April 2017 to further expand into advanced aluminum fabrication. As of 30 June 2020, our aluminum processing line had a total capacity of 0.99 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 stable and low cost off-grid direct power supply, which also reduces 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 from focusing on selling molten aluminum alloy. Equipped with these advantages, our unit cost of sales of primary aluminum products for 2019 was approximately RMB9,900 per ton while the industry average was approximately RMB13,453 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 2020, the total production capacity of our thermal power stations across our Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Yangxin and Huimin production bases was 10,015 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 78.3%, 81.8%, 83.2% and 64.7% of the total electricity we used in the two years ended 31 December 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. This percentage of self-sufficiency increased in 2019 as 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. In 2019, our thermal power stations achieved a high capacity utilization rate with annualized average utilization hours of approximately 5,691 hours. In addition, since 1 January 2010, we have sold steam generated by our thermal power stations to one of our suppliers. The high capacity utilization rate of our thermal power stations and sales of steam generated by these thermal power stations to our main external supplier of alumina have further reduced our electricity generation costs.

- *Off-grid direct power supply*

Our eight aluminum manufacturing bases are all in close proximity to each other 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 2020, we had production capacity of 14.0 million tons of alumina in the PRC. We also have our own overseas alumina production facilities. In the first half of 2016, the first phase of our project in Indonesia, which was designed to reach an annual production capacity of 1.0 million tons of alumina, commenced operation, and as of 30 June 2020, we had a production capacity of 1.0 million tons of alumina in Indonesia. We are in the process of constructing the second phase of our project in Indonesia that is expected to have 1.0 million tons of additional capacity of alumina. We anticipate to complete construction of this phase and commence operation in 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. Our alumina self-sufficiency rate was 42.8%, 62.5%, 59.7%, 57.6%, 73.4% and 85.7%, respectively, for

2012, 2013, 2014, 2015, 2016 and 2017. The self-produced alumina used by our Group accounted for approximately 87.1%, 89.9%, 89.2% and 89.3% of the total alumina that we used in 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. This self-sufficiency rate is expected to continue to increase in the future due in part to the success of our project in Indonesia. In addition, Bauxite procurement cost is an important cost of alumina production. We have strong bargaining power in the purchase of bauxite and have maintained long-term cooperative relationships with certain suppliers due to our large scale of production. We, along with our joint venture partners, have also successfully created a complete bauxite supply chain in Guinea, linking Africa and China and helping to ensure more stable supply. See "– Procurement – Raw Materials – Supply of alumina and bauxite".

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

Sales of molten aluminum alloy accounted for approximately 74.7%, 70.5%, 70.6% and 66.5% of our revenue for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. Molten aluminum alloy is our main product in terms of sales volume and revenue. By focusing on molten aluminum alloy as compared to aluminum alloy ingots, we avoid incurring significant molding costs and associated electricity, labor, storage and other relevant costs. Furthermore, all of our molten aluminum alloy customers are in close proximity to our manufacturing bases. We deliver our molten aluminum alloy directly from our smelters to our customers' manufacturing sites immediately after it is ordered and manufactured, allowing us to maintain close to zero inventory of molten aluminum alloy and enjoy low transportation costs. By purchasing molten aluminum alloy, our customers minimize transportation costs and save the cost of smelting or reheating aluminum alloy ingots for further processing, including the related equipment, labor and storage costs. According to Antaike, customers that buy molten aluminum enjoy cost savings of around RMB500 per ton. As such, our customers and we both benefit from higher margins. Where customers are further away we will sell them aluminum alloy ingots. Sales of aluminum alloy ingots accounted for approximately 4.5%, 3.0%, 2.8% and 6.2% of our revenue for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively.

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

We are strategically headquartered in Zouping City, Shandong Province, one of the major aluminum product manufacturing centers in China. Antaike expects annual demand for primary aluminum in the Zouping region to grow from 3.0 million tons in 2020 to 3.2 million tons in 2024, and annual demand for molten aluminum to grow from 2.8 million tons in 2020 to 3.0 million tons in 2024. Furthermore, Antaike expects that 92% of the demand for aluminum in 2024 in the Zouping region will be met by molten aluminum. We believe our leading market share in molten aluminum in Zouping will allow us to maintain strong sales alongside aluminum demand growth in Zouping. According to Antaike, our molten aluminum production capacity accounted for 100% of the total molten aluminum production capacity in Zouping as of 31 December 2019.

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

We are in the process of transferring part of the Group's existing electrolytic aluminum production equipment to Yunnan Province, which will be conducive to the further improvement of the proportion of clean energy of the Group and the green sustainable development of the Group, thereby further consolidating and enhancing the Group's core competitiveness under the premise of stabilizing the existing production and operation of the Group.

Shandong Province is connected to major production bases of downstream aluminum product companies, such as those located in Henan Province, Liaoning Province and Jiangsu Province, and major alumina production bases and coal resources in Shandong Province, Shanxi Province and Henan Province by highly developed transportation networks, including highway, railway and sea transportation. 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 23.6% of the country's primary aluminum production for 2019, 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 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 (400kA至600kA四端進電大型預熔槽) and a current intensity of 400kA to 600kA. 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 Weiqiao A&P 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. As of 30 June 2020, 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 believe our efficient and advanced production facilities will help us to compete more effectively and achieve higher profit margins.

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 of 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 is 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 is ultimately controlled by CITIC Group Corporation, subscribed for convertible bonds worth US$320 million. As of the date of this Offering Circular, CITIC Group Corporation, along with its direct and indirect subsidiaries beneficially owned 9.88% of our outstanding shares.

In addition, in January 2018, Capital Group, one of the oldest and largest professional asset managers in the world, subscribed for approximately 6.27% of our then share capital.

We believe the investments made by these high profile professional investors with long-term focus and forward-looking insights helps highlight our credibility among shareholders in the market place and provides us the additional stability to pursue steady, 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 Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Everbright Bank, Evergrowing Bank, China Bohai Bank, Shanghai Pudong Development Bank and Industrial and Commercial Bank of China. We further expanded our financing channels by completing a series of issuances of corporate bonds and short- and medium-term debentures in PRC. As of the date of this document, we issued six offshore bonds and 100 onshore bonds, and completed 10 offshore syndicated loans. 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 and an amount up to US$397.5 million under the CBI 2018 Facility. 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 an aggregate principal amount of US$300.0 million of our 7.125% senior notes due 2022 in July 2019 and an aggregate principal amount of US$200.0 million of our 7.375% senior notes due 2023 in September 2019. On 28 November 2017, our Company also issued the November 2017 CB.

In addition, we adhere to prudent financial management policies. Our EBITDA to finance costs ratio was 4.20 for 2019 and 4.20 for the six months ended 30 June 2020. Our annualized net debt to EBITDA ratio was 1.62 for 2019 and 2.06 for the six months ended 30 June 2020. We had bank balances and cash of well over than US$1.0 billion at the end of each of 2018, 2019 and as of 30 June 2020.

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 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 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 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 further enhance our capacity to supply alumina by our own production. We expect to complete construction and commence operation of the second phase of our project in Indonesia in 2021 that is expected to have 1.0 million tons of additional capacity of alumina. We expect that the alumina we produce will continue to contribute to a substantial portion of our supply of alumina in the future. We expect to satisfy approximately 90% of our total alumina needs for 2020 with our own alumina production. We believe that our strengthened vertical integration will help us capture additional cost advantages and further improve our competitiveness in the Chinese aluminum market. In addition, we seek to expand our bauxite sources worldwide to ensure the security of our raw material supply. We believe our joint venture engaging in the bauxite mining business in the Republic Guinea will help us to achieve this business goal.

In addition, we are in the process of constructing production lines of secondary aluminum, and one production line with a production capacity of 100,000 tons was put into operation and another production line with a production capacity of 100,000 tons is expected to be put into operation in 2021. We are also in the process of constructing several light weight material projects for production of aluminum alloy structural parts, lightweight auto parts and aluminum car body, among other things, which are expected to commence operation by 2021 and will help us stretch to downstream industrial chain.

Enhance product research and development capabilities

We seek to focus our research and development efforts on improving our manufacturing techniques, improving product quality and reducing costs. 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 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. 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 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 "– Quality Control." While most of our aluminum products are primary aluminum produced through smelting, we also produce secondary aluminum by refining waste aluminum products. In 2020, one production line of secondary aluminum with a production capacity of 100,000 tons was put into operation, and another production line of secondary aluminum with a production capacity of 100,000 tons is currently under construction.

Our revenue generated from aluminum products accounted for more than 80% of our revenue for each of 2018, 2019 and the six months ended 30 June 2019 and 2020, 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:

	Year ended 31 December							
	2018				2019			
	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	5,526,664	67,420.2	12,199	74.7%	4,848,233	59,341.6	12,240	70.5%
Aluminum alloy ingot	338,712	4,096.2	12,093	4.5%	210,116	2,549.5	12,134	3.0%
Aluminum fabrication products	493,058	7,135.0	14,471	7.9%	623,307	9,104.6	14,607	10.8%
Subtotal	6,358,434	78,651.4	12,370	87.1%	5,681,656	70,995.7	12,496	84.3%
Steam	3,935,912	498.6	126.7	0.6%	4,972,407	662.5	133.2	0.8%
Alumina	4,089,942	11,045.0	2,700.5	12.2%	5,277,400	12,521.1	2,372.6	14.9%
Total		90,195.0		100.0%		84,179.3		100.0%

	Six months ended 30 June							
	2019				2020			
	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	2,434,677	29,268.8	12,022	70.6%	2,306,550	26,578.7	11,523	66.5%
Aluminum alloy ingot	97,706	1,159.4	11,866	2.8%	210,513	2,463.7	11,703	6.2%
Aluminum fabrication products	313,581	4,466.5	14,244	10.8%	296,569	4,134.4	13,941	10.4%
Subtotal	2,845,964	34,894.7	12,261	84.2%	2,813,633	33,176.8	11,791	83.1%
Steam	3,069,044	378.4	123.3	0.9%	2,852,040	370.5	129.9	0.9%
Alumina	2,409,216	6,157.0	2,555.6	14.9%	3,105,334	6,391.5	2,058.2	16.0%
Total		41,430.1		100.0%		39,938.8		100.0%

Molten Aluminum Alloy

Molten aluminum alloy is our main product, and it accounted for approximately 74.7%, 70.5%, 70.6% and 66.5% of our revenue for 2018, 2019 and the six months ended 30 June 2019 and 2020, 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. According to Antaike, as of 31 December 2019, we were the only molten aluminum alloy supplier in Zonping, accounting for 100% of the total annual production capacity of primary aluminum in Zonping as of that date.

Aluminum Alloy Ingots

Sales of aluminum alloy ingots accounted for approximately 4.5%, 3.0%, 2.8% and 6.2% of our revenue for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. Molten aluminum alloy is processed into aluminum alloy ingots through molding, casting and cooling. Our aluminum alloy ingots are produced by using self-manufactured molten aluminum alloy.

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

Other Aluminum Products

Sales of aluminum fabrication products accounted for approximately 7.9%, 10.8%, 10.8% and 10.4% of our revenue for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. Our downstream aluminum fabrication products principally include aluminum plate, aluminum strip and aluminum foil products. In 2011, we completed a production line in our Binzhou manufacturing base for aluminum alloy casting-rolling and foil products with an aggregate annual production capacity of approximately 30,000 tons as of 30 June 2020. In 2011, we also began building production lines in our

Zouping manufacturing base for the production of high precision aluminum plate and strip products and other aluminum products. We began operating the production lines since June 2014. As of 30 June 2020, our production lines for aluminum fabrication products had an aggregate annual production capacity of approximately 0.99 million tons.

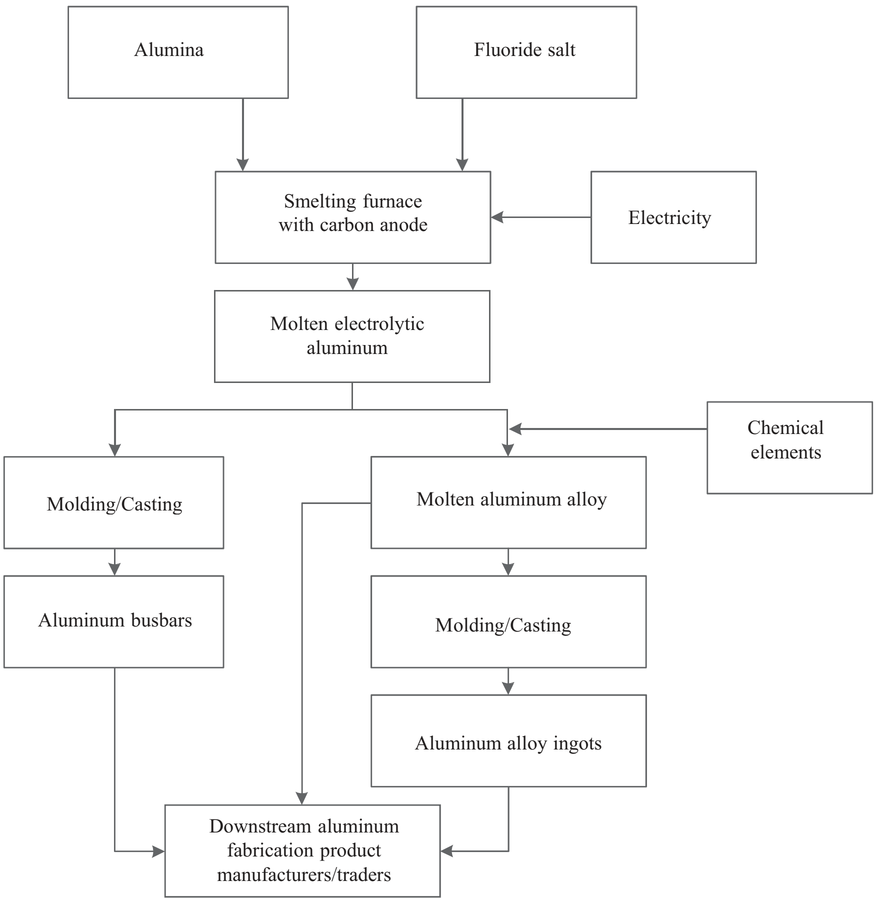
We are also in the process of constructing several light weight material projects for production of aluminum alloy structural parts, lightweight auto parts and aluminum car body, among other things, which are expected to commence operation by 2021 and will help us stretch to downstream industrial chain and improve our research and development capacity.

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, Weiqiao, Binzhou, Yangxin and Huimin aluminum manufacturing bases had annual production capacity of approximately 3,248,000 tons, 670,000 tons, 497,000 tons, 723,000 tons, 600,000 tons and 721,000 tons of aluminum product, respectively, as of 30 June 2020, for an aggregate annual production capacity of approximately 6,459,000 tons of aluminum products as of that date. For 2019, we had a weighted average production capacity of approximately 6,459,000 tons and a production volume of approximately 5,644,000 tons. For the six months ended 30 June 2020, we had a weighted average production capacity of approximately 6,459,000 tons and a production volume of approximately 2,741,000 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. All of our aluminum manufacturing facilities are located in China's Shandong Province. 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 for the two years ended 31 December 2018, 2019 and the six months ended 30 June 2019 and 2020 and our production volumes and utilization rates for the same periods:

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
Annual production capacity at year end (tons)	6,460,000	6,459,000	6,460,000	6,459,000
Weighted average production capacity (tons)(1)	6,460,000	6,459,000	6,460,000	6,459,000
Production volume (tons)	6,365,225	5,643,578	2,859,565	2,741,188
Utilization rate(2)	98.5%	87.4%	88.5%	84.9%

(1) The weighted average production capacity for each period (annualized) is the result of (i) the total sum of the annual production capacity of each of our production lines multiplied by the months in that period (annualized) that such production line possessed such capacity (ii) divided by the number of months in that period.

(2) Utilization rate is calculated by dividing the production volume for the relevant year by the weighted average annual production capacity for that period.

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 2020. For the years ended 31 December 2015, 2016, 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, our production capacity utilization rates were approximately 97.3%, 96.5%, 94.9%, 98.5%, 87.4%, 88.5% and 84.9%, respectively. We are in the process of transferring part of the Group's existing electrolytic aluminum production equipment to Yunnan Province. The first phase of electrolytic aluminum project in Yunnan Province will have an estimated production capacity of 1,000,000 tons, of which, a production capacity of 300,000 tons was put into operation in October 2020. The first phase of the project will commence full operation in 2021, which will increase our production of electrolytic aluminum in the future.

PROCUREMENT

We procure raw materials and energy, including electricity and coal, from external suppliers. Our five largest suppliers together accounted for approximately 38.0%, 41.9%, 44.7% and 52.3%, respectively, of our total procurement for 2018, 2019 and the six months ended 30 June 2019 and 2020. Our largest supplier for 2018, 2019 and the six months ended 30 June 2019 and 2020, accounting for approximately 14.4%, 21.7%, 25.7% and 18.5%, respectively, of our total procurement for the same years.

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 3,000,000 tons of alumina. Since then, we have continued to increase our in-house production capacity of alumina. As of 30 June 2020, we had production capacity of 14,000,000 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 production base in Indonesia with an annual production capacity of one million tons of alumina. This production base commenced operations in the first half of 2016 and produced approximately 0.4 million tons, 1.0 million tons, 1.0 million tons, 1.0 million tons and 0.5 million tons of alumina, respectively in 2016, 2017, 2018, 2019 and the six months ended 30 June 2020. The self-produced alumina used by our Group accounted for 87.1%, 89.9%, 89.2% and 89.3% of the alumina (in terms of volume) used in our production of our aluminum products at our in-house alumina production facilities in 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. We produce alumina at a cost below the purchase price of alumina that we purchase externally.

Bauxite procurement cost is an important cost of alumina production. We have strong bargaining power in the purchase of bauxite and maintain long-term cooperative relationships with some suppliers due to our increasingly large scale of production. To help ensure a stable supply, we import bauxite from a number of different countries, including Australia, Brazil, India, Malaysia and Jamaica. Further, we have our own overseas alumina production facilities. We were also involved in the successful creation of a complete bauxite supply chain in Guinea, linking Africa and China. In 2015, we entered into joint venture arrangements with, among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Wining Singapore International Group, for the purpose of developing a bauxite mining project in the Republic of Guinea. The project involved development of the local bauxite mine as well as investment in the port and local logistics, including construction of barges and docks on either side of the Rio Nunez river. In response to the "Belt and Road Initiative", China Hongqiao established a "Maritime Silk Route" full value chain logistics line stretching over 14,000 nautical miles. The project commenced operations in 2015 with the first shipment of bauxite from Guinea arriving in China Hongqiao's domestic base in November 2015, and since then has realized production of approximately 1 million tons of bauxite in 2015, 11 million tons of bauxite in 2016, 32 million tons of bauxite in 2017, 42.0 million tons of bauxite in 2018, 41.0 million tons of bauxite in 2019 and 23.0 million tons of bauxite for the six months ended 30 June 2020.

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

Alumina Procurement

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

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

	For the year ended 31 December				For the six months ended 30 June			
Alumina	**2018**		**2019**		**2019**		**2020**	
Total Alumina consumed (million tons) . . .	11.91	100.0%	10.74	100.0%	5.44	100.0%	5.36	100.0%
Self-produced (million tons)	10.37	87.1%	9.66	89.9%	4.85	89.2%	4.79	89.3%
External purchase (million tons).	1.54	12.9%	1.08	10.1%	0.59	10.8%	0.57	10.7%

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 cost less than purchasing electricity from an external supplier during the two years ended 31 December 2019 and the six months ended 30 June 2020. We had electricity production capacity of approximately 10,015 MW as of 30 June 2020. The volume of electricity supplied by our own thermal power stations accounted for approximately 78.3%, 81.8%, 83.2% and 64.7% of the volume of our total electricity consumption for 2018, 2019 and the six months ended 30 June 2019 and 2020, 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. The electricity supply agreements we have entered into with our suppliers contain a base price and a price adjustment mechanism allowing for subsequent price adjustment if the price of coal undergoes significant, sustained fluctuation. Such agreements do not have a definite term, and remain effective unless otherwise terminated pursuant to the terms of such agreement.

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

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
Electricity				
Total electricity consumed (million KWh)	92,031	82,958	41,942	40,222
Self-produced (million KWh)	72,066	67,901	34,885	26,043
External purchase (million KWh)	19,965	15,057	7,057	14,179
Self-sufficiency rate	78.3%	81.8%	83.2%	64.7%

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 2020, our thermal power stations had an installed generation capacity of 10,015 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 were approximately 5,882 hours and 5,691 hours for 2018 and 2019, respectively, and the utilization rate was approximately 67.1% and 65.0% during the same periods. The average utilization hours of our Group for the six months ended 30 June 2020 were approximately 2,636 hours and the utilization rate was approximately 60.2% during the same 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 two years ended 31 December 2018, 2019 and the six months ended 30 June 2019 and 2020, sales of steam accounted for 0.6%, 0.8%, 0.9% and 0.9%, 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 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. We purchased coal with a total amount of approximately RMB19,076.2 million, RMB16,577.9 million (US$2,346.4 million), RMB8,051.3 million and RMB5,763.9 million (US$815.8 million) in 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively, including the coal used in the generation of electricity and steam. The purchase cost of coal accounted for approximately 25.5%, 24.5%, 23.8% and 17.2% of our total cost of sales for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively.

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

	Year ended 31 December		Six months ended 30 June	
	2018	**2019**	**2019**	**2020**
	(RMB/ton)			
Average coal consumption cost (excluding VAT)(1) . .	493	464	460	454
Average price (including VAT) of mix-quality coal quoted by Qinhuangdao Shanxi quality index(2) . . .	647	587	575	535

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 2020, we employed 78 sales and marketing personnel.

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

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

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

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

OUR CUSTOMERS

We primarily sell aluminum products to domestic customers, who are located mainly in Shandong Province as well as in other regions of China. Our five largest customers accounted for approximately 59.4%, 55.1%, 56.1% and 57.9% of our revenue of continuing operations for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. Certain of our customers are domestic premium aluminum fabrication product manufacturers and well known traders. Our largest customer accounted for approximately 39.9%, 35.6%, 36.9% and 39.1% of our revenue of continuing operations for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. Sales volume of our aluminum products was approximately 6.4 million tons, 5.7 million tons, 2.8 million tons and 2.8 million tons for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively.

During the two years ended 31 December 2019 and the six months ended 30 June 2020, 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 two years ended 31 December 2019 and the six months ended 30 June 2020, our five largest customers were all downstream aluminum fabrication product manufacturers located in Binzhou, Shandong Province.

As most of our molten aluminum alloy customers are located near our production bases, there is a high geographic concentration of our customers. Our revenue of molten aluminum alloy accounted for approximately 74.7%, 70.5%, 70.6% and 66.5% of our revenue for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively.

INVENTORY CONTROL

We had inventories of approximately RMB19,805.6 million, RMB21,846.9 million (US$3,092.2 million) and RMB21,336.0 million (US$3,019.9 million) as of 31 December 2018 and 2019 and 30 June 2020, respectively. Our average turnover days of inventory, exclusive of those held for sale, were 86, 112, 111 and 116 days for 2018, 2019 and the six months ended 30 June 2019 and 2020, respectively. The increase in our average turnover days of inventory for 2019 was mainly due to our increased purchase of bauxite for production use, which led to an increase in our inventory balance.

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 2020, we had 185 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 ISO 9001 certification for our manufacturing facilities in April 2010.

RESEARCH AND DEVELOPMENT

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

DELIVERY OF PRODUCTS

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

We generally use trucks and ships to deliver aluminum alloy ingots. Once we enter into a sales agreement with a customer, a delivery order will be sent to our logistics subdivision under the sales and marketing department, which will in turn send a bidding invitation to third party logistics service providers. The successful bidder will arrange the delivery in accordance with our customer's requirement after entering into a service agreement and making a deposit with us. We will settle the transportation fee upon the presentation of our customer's receipt and the service provider's invoice. The logistics service providers for aluminum alloy ingots are generally responsible for losses of and damages to our 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 2020, 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 2020, we owned the domain names www.hongqiaochina.com, www.hongqiao-china.com, www.hongqiaogroup.cn and www.hongqiaoxc.com. As of 30 June 2020, we also had seven registered trademarks in Hong Kong, and four registered trademarks in the PRC for our aluminum products.

COMPETITION

The aluminum industry is highly competitive in China. As of 31 December 2019, according to Antaike, there were 95 primary aluminum manufacturers in China, and the average designed annual aluminum production capacity of these manufacturers was 432,000 tons of primary aluminum products, including pure aluminum products and aluminum alloy products. According to Antaike, as of 31 December 2019, only 27 primary aluminum manufacturers in China had a designed annual primary aluminum production capacity of 500,000 tons or more, which accounted for approximately 63.0% 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 only aluminum supplier in Zouping City, we accounted for 100% of the total annual production capacity of primary aluminum in Zouping City as of 31 December 2019, 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 the 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 the Water Pollution (中華人民共和國水污染防治法) and the Administrative Regulation on the Levy and Use of Discharge Fees (排污費徵收使用管理條例). 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 station. 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 People's Republic of China on Environmental Impact Assessment which was issued on 2 July 2016 and took effect on 1 September 2016,

(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 People's Republic of China 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 50,000 yuan 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 People's Republic of China on Environmental Impact Assessment:

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

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

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

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

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

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 has satisfied the emission requirements provided by local governments in all material respects. In addition, we have installed sound insulation equipment to reduce the impact of the noise produced in the daily operations of our power station.

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 2020, our environmental protection department comprised of 40 environmental protection personnel, all of whom had obtained vocational training college education and majored in environmental science, environmental engineering or environmental inspection and treatment. Mr. Ji Dengpan, who has been the head of our environmental protection department since its establishment in 2007, has approximately fifteen years of experience in environmental protection, and our environmental protection personnel have an average of more than ten years of experience in environmental protection. In addition to these environmental protection personnel, as of 30 June 2020, we also had 1,295 production personnel who were responsible for the operations, monitoring and maintenance of our environmental protection facilities.

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

WORK SAFETY

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

We have devoted a substantial amount of resources to work safety and accident prevention. We are committed to providing a safe and healthy working environment for our employees and have received GB/T 28001:2001 certification and passed the OHSAS 18001 verification standards for our occupational health and safety management system in January 2011. GB/T 28001:2001 is a voluntary national PRC standard for occupational health and safety management systems issued by the Standardization Administration of the PRC. Since the establishment of our Group, we have adopted and implemented a series of occupational health and safety procedures and measures for our business operations. We have formulated guidelines on occupational safety, such as production safety measures and procedures for handling certain emergency, to all employees. We hold monthly work safety meeting mechanism at various levels of our management to exchange information of recent experience and measures among our different operational divisions, review the issues discovered in the implementation of our work safety policies and improve our overall work safety and accident prevention. We also have a dedicated production safety management division, which is responsible for managing and implementing occupational health and safety practices at our facilities. All personnel of our production safety management division have taken training courses for work safety held by the government, and possess necessary qualification for work safety issued by the local government of Binzhou City. In addition, we have installed safety protection and inspection equipment at our work site, and we monitor all equipment and facilities on a real time 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 RMB4,237.0 million (US$599.7 million) as of 30 June 2020. 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 provider is responsible if such losses and damages are attributable to its 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 2020, we had approximately 43,899 full-time employees. The table below sets forth the breakdown of our employees by functions as of 30 June 2020.

Function	Number of employees
Aluminum production	23,216
Alumina production	10,943
Power station	7,345
Supply	238
Sales, marketing and delivery	321
Quality control	185
General management	1,651
Total	**43,899**

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.

INTERNAL CONTROL

To enhance the internal control of our Group, our Company engaged an independent internal control consultant to review the internal controls of our PRC subsidiaries, which included Shandong Hongqiao, Aluminum & Power and Zhengtong.

The review of the internal control consultant identified a number of areas requiring improvement, which primarily related to the implementation of additional policies and procedures including but not limited to the policy for nomination and selection of Board members, compensation committee and audit committee charter and procedures, and policies and procedures for disclosures, revision of certain existing policies and procedures including but not limited to treasury management, and further enforcement of the procedures that are currently stated in the policies. The internal control consultant provided recommendations for all findings. The findings identified by the internal control consultant in terms of policies/procedures and executions of control have been remedied.

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.

CHANGE OF AUDITORS

Deloitte Touche Tohmatsu ("Deloitte"), which had served as the auditors of the Company since 2010, resigned as the auditors of the Company with effect from 12 June 2015. The reason for this resignation was the inability of Deloitte and the Company to reach consensus regarding the audit fee for the year ended 31 December 2015. Deloitte confirmed in writing that there are no matters in relation to its resignation as the Company's auditors that need to be brought to the attention of the shareholders or creditors of the Company. The Board also confirmed that there were no disagreements or outstanding matters between the Company and Deloitte, and that the Board was not aware of any other matters in relation to the change of auditors that need to be brought to the attention of the shareholders or creditors of the Company.

Following the recommendation from the Audit Committee of the Company, the Board appointed Ernst & Young as the new auditors of the Company to fill the vacancy as a result of the resignation of Deloitte to hold office until the conclusion of the next annual general meeting of the Company. Ernst & Young served as the Company's auditor from 12 June 2015 to 27 April 2017.

After becoming aware of the 2016 Negative Report and then the First 2017 Negative Report, Ernst & Young issued letters setting out certain Audit Findings and recommending that the Company arrange for an independent investigation with respect to such Audit Findings and the allegations made in the Negative Reports. After considering the results of an initial internal investigation of the Company with respect to the Audit Findings identified by Ernst & Young, the Audit Committee was of the view that the Audit Findings did not provide sufficient basis for the Company to conduct an independent investigation. At the recommendation of the Audit Committee, the Board decided to engage BT Risk Assurance to perform certain agreed-upon procedures in relation to the Audit Findings and the allegations contained in the Negative Reports. See "– Negative Report and Company's Response." Citing the inability of the Company and Ernst & Young to reach a consensus in relation to an independent investigation, Ernst & Young resigned as the auditors of the Company with effect from 27 April 2017. The Board appointed SHINEWING (HK) CPA Limited as the new auditors of the Company on 31 August 2017.

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

Entry Conditions and Industry Policies

The Standard and Condition on Aluminum Industry (鋁行業規範條件) (the "Standard") was promulgated by Ministry of Industry and Information Technology of the People's Republic of China (the "Ministry of Industry and Information Technology") and came into force on 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 Environmental Protection Law of the PRC (中華人民共和國環境保護法)(the "Environmental Protection Law"), which was promulgated and came into force in 1989, 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 People's Republic of China 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. Furthermore, the Environmental Protection Law has been amended on 24 April 2014 and the amended Environmental Protection Law will become effective on 1 January 2015.

In addition, in the production and operation process, aluminum-processing enterprises must comply with the following laws and regulations related to environmental protection: the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法); 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 Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法); 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 Law Offices (Beijing), 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 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 (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 Provisional Regulations of the PRC on Urban Maintenance and Construction Tax (城市維護建設稅暫行條例), promulgated in 1985, the Provisional Rules on Levy of Education Surcharge (徵收教育費附加的暫行規定), promulgated in 1986, 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 Provisional Regulations of the PRC Urban Maintenance and Construction Tax (城市維護建設稅暫行條例) released on 8 February 1985 and Decisions on Repealing and Amending Certain Administrative Regulation (關於廢止和修改部分行政法規的決定) released on 8 January 2011, any entity and individual that pays consumption tax, value-added tax, or business tax shall pay urban maintenance and construction tax simultaneously based on the amount of consumption tax, value-added tax, and business tax actually levied on such entity and individual. 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%.

Pursuant to 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 2019, 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, 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 will become effective on 1 December 2014.

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) amended on 1 August 2008 by the State Council and implemented since 5 August 2008, 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 2019, our Company has not been imposed any administrative penalties due to violation of foreign exchange laws and regulations.

SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (including its appendixes), or Circular 37, effective on 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 on 8 July 2000 and implemented since 1 September 2000, newly amended on 29 December 2018, a producer shall establish proper internal regulatory system for the management of product quality, strictly implement position-oriented quality standards, quality responsibilities and relevant measures for their assessment. A producer should be responsible for the quality of the products produced by it. The quality of the products is required to pass standard inspections. The State has implemented a supervision and inspection system based on random inspection which aims at testing those products that may cause injury to the health or safety of the human body and properties, important industrial products that significantly affect the national economy and other defective products that have been reported by consumers or relevant organizations. We are required under this law to produce aluminum products in accordance with product quality standards. In case of any defective quality issues of our products, we may be subject to complaint or legal proceedings and thus be liable to compensations and resulting legal costs, as well as penalties from competent authorities. Our goodwill in the market may also be adversely affected. Our Company's financial conditions and results of operations may be adversely affected accordingly. We will be required to obtain a production license for our aluminum flat-rolled products and aluminum extrusion products to be produced in our Binzhou manufacturing base in the future, and those products shall also meet the specified quality standard.

DIRECTORS AND SENIOR MANAGEMENT DIRECTORS

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

Name	Age	Position
ZHANG Bo	51	Chairman, chief executive officer and executive Director
ZHENG Shuliang	74	Vice chairman and executive Director
ZHANG Ruilian	43	Vice president, chief financial officer and executive Director
YANG Congsen	51	Non-executive Director
ZHANG Jinglei.	44	Non-executive Director
CHEN Yisong.	52	Non-executive Director
ZHANG Hao	46	Alternate Director of Mr. CHEN Yisong
XING Jian	71	Independent non-executive Director
HAN Benwen	70	Independent non-executive Director
DONG Xinyi	44	Independent non-executive Director

Executive Directors

Mr. Zhang Bo (張波), aged 51, was appointed an executive Director and chief executive officer of the 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 Company on 31 May 2019. 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 the Group. He joined the Group in 2006 and has thirteen years of experience in aluminum industry. He had been the deputy general manager of Chuangye Group from April 1998 to February 1999, and successively served as the general manager, executive director, chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) ("Weiqiao Textile", a company listed on the Stock Exchange, stock code: 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 and 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. Currently, he is the chairman and the general manager of Shandong Weiqiao Aluminum & Power Co., Ltd. (山東魏橋鋁電有限公司) ("Weiqiao Aluminum & Power") since November 2006, a director and the general manager (since January 2010) and the chairman (since June 2019) of Shandong Hongqiao New Material Co., Ltd. (山東宏橋新型材料有限公司) ("Shandong Hongqiao"), a director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) ("Hongqiao Trading") since April 2012, a director of Hongqiao Investment (Hong Kong) Limited since January 2015, the chairman of Chuangye Group since September 2018, a director of China Hongqiao Investment Limited (中國宏橋投資有限公司) since May 2019 and a director and the general manager of Shandong Hongtuo Industrial Company Limited (山東宏拓實業有限公司) since June 2019. He has been the chairman of Binzhou Aluminum Industry Association since June 2014, a deputy to the vice president of China Non-ferrous Metals Industry Association since March 2015, a vice chairman of the International Aluminium Institute since November 2016, the chairman of Shandong Aluminium Industry Association since March 2019 and the chairman of Binzhou Entrepreneurs Association since January 2020. He was selected by the State Council as "National Model Worker" in 2010. He is 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 74, was appointed the vice chairman and an executive Director of the Company on 16 January 2011. She joined the Group in July 2009. She successively held the positions of the section chief, director of metering division of raw materials purchase department and deputy director of raw materials supply department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Chuangye Group from June 1999 to

June 2001. She is the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen. She is currently a director and the vice chairman of Shandong Hongqiao since January 2010 and a director of Weiqiao Alumina & Power since November 2011.

Ms. Zhang Ruilian (張瑞蓮), aged 43, has been appointed as an executive Director on 11 December 2017. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) and obtained the diploma in accounting in July 1996. She obtained the bachelor's degree in accounting from Beijing Foreign Studies University in July 2019. She joined the Group in June 2006 and has over nineteen years of experience in accounting. She is responsible for the supervision of the Group's finance and accounting affairs. She served as the manager of audit department of Chuangye Group from December 2005 to June 2006. She has been the head of financial department of Weiqiao Alumina & Power since June 2006, a director of Weiqiao Alumina & Power since December 2014, the manager of financial department of Shandong Hongqiao since February 2010, a director and the deputy general manager of Shandong Hongqiao since December 2014, and a director of Hongqiao Trading since April 2012. She is currently the vice president (since January 2011) and the chief financial officer of the Company (since September 2014).

Non-Executive Directors

Mr. Yang Congsen (楊叢森), aged 51, was appointed a non-executive Director on 16 January 2011. He graduated from Ocean University of Qingdao (青島海洋大學) and obtained a junior college diploma in international trade in July 1998. He obtained a master's degree of business administration from Dalian University of Technology (大連理工大學) in July 2006. He joined the Group in January 2007 and has over nineteen years of management experiences. He was responsible for the production and operation of the self-owned power plants of the Group and was also the deputy general manager of Weiqiao Alumina & Power prior to the listing of the Company in 2011. He held the positions of the network administrator of human resources division of Chuangye Group (including its predecessor) from October 1997 to December 1999, head of thermal power plant of Chuangye Group from December 1999 to October 2003, and deputy general manager of Chuangye Group from January 2005 to June 2006. He is currently a director of Chuangye Group, a director of Shandong Hongqiao since January 2010 and a director of Weiqiao Alumina & Power since December 2006. 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 44, was appointed a non-executive Director on 16 January 2011. He graduated from Xi'an Engineering College (西安工程學院) and obtained the junior college diploma in proximate analysis in July 1997. He joined the Group in January 2011. He joined Weiqiao Textile (a company listed on the Stock Exchange, stock code: 2698.HK) (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 is currently an executive director (since June 2010) and company secretary (since May 2010) of Weiqiao Textile and a director of Chuangye Group (since September 2018).

Mr. Chen Yisong (陳一松), aged 52, was appointed as a non-executive Director on 31 August 2018. He graduated from University of Science and Technology Beijing (北京科技大學) in Beijing, the PRC, majoring in computer science and its application in July 1990, and from Hunan University (湖南大學) in Changsha, Hunan Province, the PRC with a master of economics degree majoring in finance in December 2001. Mr. Chen served as the deputy section chief and the section chief of the treasury department of China CITIC Industrial Bank (中信實業銀行, currently known as China CITIC Bank Corporation Limited (中信銀行股份有限公司, a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 998.HK and 601998.SH)) successively from March 1992 to January 1999. He served as the deputy head and the head of president office of CITIC Securities Co., Ltd. (中信證券股份有限公司, a company listed on the Shanghai Stock Exchange, stock code: 600030.SH), successively from January 1999 to January 2004. From September 2004 to May 2006, Mr. Chen served as the deputy head of president office of China Construction Bank Corporation (中國建設

銀行股份有限公司, a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 939.HK and 601939.SH). He also served as the deputy general manager, the general manager and the deputy chairman of the board of directors of CITIC Trust Co., Ltd.(中信信託有限責任公司)("CITIC Trust") successively from May 2006 to June 2014. From 11 December 2017 to 2 February 2018, he had also served as a non-executive Director, and from 2 February 2018 to 31 August 2018, he had served as a strategy and development consultant of the Company. Since June 2014, Mr. Chen has been the chairman of the board of directors and the secretary of the Communist Party Committee of CITIC Trust. He has also been an executive director of CTI Capital Management Limited(中信信惠國際資本有限公司)("CTICM") since October 2014.

Mr. Zhang Hao(張浩), aged 46, was appointed as an alternate Director of Mr. Chen Yisong on 31 August 2018. 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)) in Beijing, the PRC 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 Industrial Bank(中信實業銀行, currently known as China CITIC Bank Corporation Limited(中信銀行股份有限公司, a company listed on the Stock Exchange and the Shanghai Stock Exchange, stock code: 998.HK and 601998.SH)) 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 financial market department of Bear Stearns Asia Limited from July 2005 to June 2008. He also served as the managing director of financial market department of Standard Chartered Bank (HK) Ltd. from July 2008 to July 2014. From 11 December 2017 to 2 February 2018, he was appointed as an alternate Director to Mr. Chen Yisong, a non-executive Director. Since August 2014, he has served as the chief executive officer and the executive director of CTICM 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 CTICM and holding licenses issued by the Securities and Futures Commission of Hong Kong to carry out regulated activities) as the chief executive officer, executive director, 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. Mr. Zhang concurrently serves as the director of international business of CITIC Trust.

Independent Non-Executive Directors

Mr. Xing Jian(邢建), aged 71, was appointed an independent non-executive Director on 16 January 2011. He graduated from Correspondence Institute of the Party School of the Central Committee of C.P.C.(中共中央黨校函授學院) and obtained a university diploma in economics and management in December 1995. He held the positions of deputy secretary and secretary of Weiqiao Town of Zouping County from August 1982 to October 1985, deputy mayor of Zouping County from October 1985 to February 1987, deputy secretary and county mayor of Gaoqing County from February 1987 to January 1994, director and party secretary of Audit Bureau of Zibo City of Shandong Province from July 1994 to March 1999, deputy commissioner and party secretary of Special Commissioner Office of National Auditing Administration in Jinan from April 1999 to January 2001, deputy director of Head Office Service Bureau of National Auditing Administration from January 2001 to May 2002, director of Building Materials Auditing Bureau of National Auditing Administration from May 2002 to August 2008 and auditor of Social Insurance Auditing Bureau of National Auditing Administration from August 2008 to June 2009.

Mr. Han Benwen(韓本文), aged 70, was appointed an independent non-executive Director on 16 January 2011. He graduated from Shandong University(山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognised by the Shandong branch of the Chinese Institute of Certified Public Accountants(山東省註冊會計師協會) and is a qualified middle level auditor. 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 44, has been appointed as an independent non-executive Director 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. 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 and an associate professor. He has concurrently been serving as the deputy head of the Research Center for Internet and Informal Finance Laws of CUFE (中央財經大學互聯網金融與民間融資法治研究中心) since May 2015 and the head of Research Center for Technology and Finance Law of CUFE (中央財經大學科技與金融法律研究中心) since June 2017. He has also been the director of Beijing Institute of Financial Services Law (北京市金融服務法學研究會) since December 2014, an attorney at Beijing King & Capital Law Firm (北京市京都律師事務所) since February 2016, and the director of Institute of Securities Law of China Law Society (中國法學會證券法學研究會) since April 2017. 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 (友利銀行(中國)有限公司) 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, and an independent director of Guangdong Green Precision Components Co., Ltd. (廣東格林精密部件股份有限公司) since September 2016.

Senior Management

Mr. Deng Wenqiang (鄧文強), aged 48, is the vice president of the Company. He graduated from Kunming University of Science and Technology (昆明理工大學) and obtained a bachelor's degree in non-ferrous metal metallurgy in July 1995. He joined the Group in January 2003. He is responsible for the production and the research and development of aluminum products of the Group. He previously held the positions of workshop director, vice factory director and factory director of Weiqiao Alumina & Power from January 2003 to June 2006, the executive director and manager of Huimin County Huihong New Aluminum Profiles Co., Ltd. (惠民縣滙宏新材料有限公司) from December 2011 to January 2020 and executive director and manager of Binzhou Beihai Huihong New Aluminum Profiles Co., Ltd. (濱州北海匯宏新材料有限公司) from October 2013 to January 2020. He is currently the deputy general manager of Weiqiao Alumina & Power since March 2010 and deputy general manager of Shandong Hongqiao since March 2010. In 2000, he was awarded the first prize for his quality control achievements by Shandong Province Metallurgical Industry Corporation. In 2005, he was recognised as the Advanced Individual of Science and Technology Work by Shandong Province Metallurgical Industry Corporation. In 2016, he was awarded the First Prize of the China Nonferrous Metals Industry Scientific Technology Award issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) for his technical development and industrialization application of NEUI600kA efficient aluminum electrolytic cell. He was elected as the representative of the 15th, 16th and 17th People's Congress of Zouping County and the 9th, 10th and 11th People's Congress of Binzhou Municipality.

Company Secretary

Ms. Zhang Yuexia(**張月霞**), aged 45, was appointed the secretary of the Company on 16 January 2011. She graduated from Binzhou Normal Specialised Postsecondary College(濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She has over eighteen 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 (a company listed on the Stock Exchange, stock code: 2698.HK) 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 the Group prior to 16 January 2011.

Board Committees

We have established the following three committees in our Board of Directors: an audit committee, a nomination committee and a remuneration 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. Xing Jian 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. Xing Jian, Mr. Zhang Bo and Mr. Han Benwen. The nomination committee is chaired by Mr. Xing Jian. The primary function of the nomination committee is to make recommendations to our board to fill vacancies on our Board.

Remuneration Committee

Our remuneration committee consists of two independent non-executive Directors, Mr. Han Benwen and Mr. Xing Jian, 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.

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 years ended 31 December 2018 and 2019 was approximately RMB5,675,000 and RMB4,666,000, 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 years ended 31 December 2018 and 2019 were approximately RMB5,370,000 and RMB4,620,000, respectively.

During the same period, 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 two years ended 31 December 2019 for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

PRINCIPAL SHAREHOLDERS

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

Name of beneficial shareholder	Capacity/nature of interest	Number of Shares	Approximately Percentage of shareholding
Shiping Prosperity Private Trust Company(1) . .	Trustee	6,076,513,573	68.44%
Hongqiao Holdings(1)	Beneficial owner	6,076,513,573	68.44%
CITIC Group Corporation(2)	Interest in a controlled corporation	877,184,826	9.88%
CITIC Limited(2)	Interest in a controlled corporation	877,184,826	9.88%
CTICM(2)	Beneficial owner	806,640,670	9.09%
CNCB (Hong Kong) Investment Limited (2) . .	Beneficial owner	70,544,156	0.79%

(1) Shiping Prosperity Private Trust Company (previously known as Prosperity Eastern Limited) held 100% interest in Hongqiao Holdings as trustee.

(2) CITIC Group Corporation held 100% interest in CITIC Polaris Limited, which held 32.53% interest in CITIC Limited, and CITIC Group Corporation also held 100% interest in CITIC Glory Limited, which held 25.60% interest in CITIC Limited, thus CITIC Group Corporation indirectly held 58.13% interest in CITIC Limited. CITIC Limited held 100% interest in CITIC Corporation Limited. CITIC Corporation Limited held 82.26% interest in CITIC Trust and 100% interest in CITIC Industrial Investment Group Corp., Ltd, which held 17.74% interest in CITIC Trust. Thus, CITIC Corporation Limited directly and indirectly held 100% interest in CITIC Trust. CITIC Trust held 100% interest in CTICM, and thus CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares held by CTICM under the SFO.

CITIC Limited held 65.97% interest in total in China CITIC Bank Corporation Limited, which held 99.05% interest in CNCB (Hong Kong) Investment Limited and 100% interest in CITIC International Financial Holdings Limited, which held 75% interest in China CITIC Bank International Limited, which in turn held 0.95% in CNCB (Hong Kong) Investment Limited, thus China CITIC Bank Corporation Limited directly and indirectly held 99.7625% interest in CNCB (Hong Kong) Investment Limited. Thus, CITIC Group Corporation and CITIC Limited are deemed to be interested in the shares held by CNCB (Hong Kong) Investment Limited under the SFO.

RELATED PARTY TRANSACTIONS

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

The table below sets forth the name and relationship of our related parties with which we had significant related party transactions during the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2019 and 2020.

Name	Relationship
Chuangye Group	(1)
Binzhou Weiqiao Technology Industrial Park Co., Ltd. ("Binzhou Industrial Park")	Controlled by Chuangye Group
Shandong Ming Hong Textile Technology Co., Ltd. ("Ming Hong Textile")	Controlled by Chuangye Group
Zouping Weiqiao Renewable Resources Utilization Co., Ltd. ("Zouping Weiqiao")	Controlled by Chuangye Group
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste")	Controlled by Chuangye Group
Shandong Ruixin Tendering Co., Ltd. ("Shandong Ruixin")	Controlled by Chuangye Group
Binzhou City Public Construction Investment and Development Co., Ltd. ("Binzhou Investment")	Controlled by Chuangye Group
Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply")	An associate of Chuangye Group
Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman")	(2)
CITIC Trust Co., Ltd. ("CITIC Trust")	Controlled by CITIC Group Corporation
China CITIC Bank International Limited ("CITIC Bank International")	Controlled by CITIC Group Corporation
China CITIC Bank Corporation Limited ("CITIC Bank Corporation")	Controlled by CITIC Group Corporation
PT. Harita Jayaraya ("Harita Jayaraya")	(3)
PT. Cita	Controlled by Harita Jayaraya
PT. Lima Srikandi Jaya	Controlled by Harita Jayaraya
PT. Mitra Kemakmuran Line	Controlled by Harita Jayaraya
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Shandong Innovation Carbon Materials Co., Ltd. ("Innovation Carbon Materials")	An associate of a wholly-owned subsidiary of the Company
Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy")	An associate of a wholly-owned subsidiary of the Company
Africa Bauxite Mining Company Ltd. ("ABM")	An associate of a wholly-owned subsidiary of the Company
GTS Global Trading Pte. Ltd ("GTS")	An associate of a wholly-owned subsidiary of the Company

(1) Zhang's Family, the controlling shareholder of the ultimate holding company of the Company, has a significant non-controlling beneficial interest in Chuangye Group. Chuangye Group is principally engaged in the production and sale of textiles. Our Controlling Shareholder, Zhang's Family, owns approximately 51.21% of equity interest of Chuangye Group.

(2) On 13 December 2019, CITIC Industrial Investment Ningbo Co., Ltd, an indirect wholly-owned subsidiary of CITIC Group Corporation, entered into a share transfer agreement with an independent third party to sell 57.89% equity interest in CITIC Dicastal Co., Ltd, an immediate holding company of Caseman. Since then, Caseman is no longer a related party to the Group.

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

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

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

	Six months ended 30 June	
	2019 (Unaudited)	2020 (Unaudited)
	(RMB in thousands)	
Purchases of water		
– Jinsha Water Supply	(7,418)	(11,780)
– Chuangye Group	(20,000)	(18,561)
Industrial waste expenses		
– Beihai Solid Waste	(22,913)	(51,371)
Purchases of bauxite		
– GTS	(7,878,872)	(4,439,334)
– PT. Cita	–	(120,684)
Purchases of electricity		
– Binneng Energy	–	(4,606,942)
Purchases of anode carbon block		
– Innovation Carbon Materials	(79,047)	(245,037)
Sales of steam		
– Binzhou Industrial Park	8,208	5,212
– Ming Hong Textile	1,835	1,771
– Binzhou Investment	12,787	15,179
Sales of electricity		
– Innovation Carbon Materials	1,159	–
Sales of molten aluminum alloy		
– Caseman	1,347,470	–
Legal and professional fee		
– Shandong Ruixin	(2,621)	(2,387)
Lease payment		
– Chuangye Group	(1,301)	(1,307)
– Harita Jayaraya.	(616)	(717)
– PT. Antar Sarana Rekasa	(1,457)	(4,435)
Bank interest income		
– CITIC Bank Corporation	390	212
Interest income from an associate		
– Binneng Energy	–	75,708
Interest expenses on bank borrowings		
– CITIC Bank International.	(78,774)	(19,544)
– CITIC Bank Corporation	(186,148)	(168,236)
Purchases of collective investment trust		
– CITIC Trust.	–	(1,000,000)
Investment income		
– CITIC Trust.	–	33,484

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

	Year ended 31 December		Six months ended 30 June	
	2018	2019	2019 (unaudited)	2020 (unaudited)
	(RMB in thousands)			
Chuangye Group	299,000	299,000	299,000	299,000

Except as disclosed above and as disclosed elsewhere in our financial statements for 2018, 2019 and the six months ended 30 June 2019 and 2020 (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 and periods 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 2020, our total borrowings amounted to approximately RMB80,891.1 million (US$11,449.4 million), of which approximately RMB8,533.9 million (US$1,207.9 million) were secured borrowings. As of 30 June 2020, our total bank borrowings amounted to approximately RMB34.6 billion (US$4.9 billion), of which approximately RMB1.8 billion (US$0.3 billion) was undrawn, and approximately 14.5% of which was USD bank borrowings and approximately 85.5% of which was RMB bank borrowings. Our short-term debt within one year and one to five year medium-term debt accounted for approximately 65.8% and 34.2% of our total debt as of 30 June 2020, respectively. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

Offshore Financing

The November 2017 CB

On 28 November 2017, we issued US$320,000,000 aggregate principal amount of 5.0% convertible bonds, convertible into fully-paid ordinary shares with a par value of US$0.01 each of the Company ("Shares"). The November 2017 CB will mature on 28 November 2022 ("Maturity Date"). The November 2017 CB bear interest from (and including) 28 November 2017 at the rate of 5.0% per annum calculated by reference to the principal amount thereof and payable in US dollars semi-annually in arrears in equal installments in May and November in each year, commencing on 28 May 2018. The November 2017 CB constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the November 2017 CB) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the November 2017 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 November 2017 CB, at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.

The November 2017 CB may be converted into Shares at any time on or after 8 January 2018 up to the close of business on the tenth day prior to the Maturity Date, or if such November 2017 CB has been called for redemption before the Maturity Date, then up to the close of business on a date no later than ten days prior to the date fixed for redemption, or if notice requiring redemption has been given by the holder of such November 2017 CB, then up to the close of business on the day prior the giving of such notice. Unless previously redeemed, converted, purchased and cancelled, our Company will redeem each November 2017 CB on the Maturity Date at 106% of its principal amount together with accrued and unpaid interest.

The initial conversion price ("Conversion Price") was HK$8.16. 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 the Company.

The November 2017 CB also contain customary redemption provisions and events of default.

The November 2017 CB are unsecured as of the date of this Offering Circular. However, the Convertible Bonds contain a customary negative pledge, pursuant to which holders of the November 2017 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.

The July 2019 Notes

On 15 July 2019, we issued the July 2019 Notes with the aggregate principal amount of US$300,000,000, the material terms of which are set out below:

- the July 2019 Notes will mature on 22 July 2022;
- the July 2019 Notes bear interest at a rate of 7.125% per annum;
- at any time prior to 22 July 2022, we may at our option redeem the July 2019 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the July 2019 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date; and
- at any time and from time to time prior to 22 July 2022, we may at our option redeem up to 35% of the aggregate principal amount of the July 2019 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 107.125% of the principal amount of the July 2019 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 July 2019 Notes outstanding.

The September 2019 Notes

On 24 September 2019, we issued the September 2019 Notes with the aggregate principal amount of US$200,000,000, the material terms of which are set out below:

- the September 2019 Notes will mature on 2 May 2023;
- the September 2019 Notes bear interest at a rate of 7.375% per annum;
- at any time prior to 2 May 2022, we may at our option redeem the September 2019 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the September 2019 Notes redeemed plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date; and
- at any time and from time to time prior to 2 May 2022, we may at our option redeem up to 35% of the aggregate principal amount of the September 2019 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 107.375% of the principal amount of the September 2019 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$200 million principal amount of the September 2019 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 2018 Facility

On 9 April 2018, we entered into a facility agreement with, among others, CBI as facility agent (the "CBI 2018 Facility"), pursuant to which CBI agreed to advance to us term loans of up to US$397.5 million (including a greenshoe option) to finance repayment of part of our existing debts and for general corporate purposes.

The CBI 2018 Facility will mature on 9 April 2021, with the principal amount payable in installments starting the date falls 9 October 2019. The interest rate for all the term loans is the LIBOR plus 3.75% per annum.

The CBI 2018 Facility agreement contains certain financial covenants such as consolidated tangible net worth requirement and certain customary events of default, including for non-payment of amounts under the facility, breaches of the terms of the facility agreement, insolvency and non-payment of financial indebtedness of any member of the Group.

The CBI April 2020 Facility

On 20 April 2020, we entered into a facility agreement with, among others, CBI as facility agent (the "CBI April 2020 Facility"), pursuant to which CBI agreed to advance to us term loans of up to US$185 million (including a greenshoe option) for refinancing of our existing debts and for general corporate purposes.

The CBI April 2020 Facility will mature on 20 April 2023, with the principal amount payable in installments starting the date falls 20 October 2021. The interest rate for all the term loans is the LIBOR plus 3.75% per annum.

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

The CBI August 2020 Facility

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

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

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

Onshore Loans

Bilateral Loan Arrangements

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

We have both fixed rate and floating rate borrowings. Fixed rate borrowings are charged at the prevailing market rates ranging from 2.05% to 6.00% per annum as of 30 June 2020. Interests on our borrowings at floating rates are calculated based on the borrowing rates announced by the People's Bank of China.

Other Onshore Debt Financing

Our PRC subsidiaries also raised funds for our business and operation through issuance of corporate bonds and medium-term debentures in the PRC. The maturity of our corporate bonds and medium-term debentures generally ranges from five to seven years. Most of our corporate bonds and medium-term debentures contain redemption rights and interest adjustment mechanism. The effective interests for such bonds and medium-term debentures ranged from 3.84% to 8.69% per annum as at 30 June 2020.

All of our corporate bonds were listed in the PRC. Transaction documents for our corporate bonds and medium-term debentures contain customary covenants and events of 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 5.25 per cent. Convertible Bonds due 2026 (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 (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 7 January 2021. 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 25 January 2021 (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 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 25 January 2021 (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, Luxembourg 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. 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 One Canada Square, London E14 5AL, 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 or, as the case may be, the Principal Agent. 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, Hongqiao Investment (Hong Kong) Limited and Hongqiao (HK) International Trading Limited.

(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 7.125% senior notes due 2022 issued by the Company on 15 July 2019 and the 7.375% senior notes due 2023 issued by the Company on 24 September 2019.

"**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.

"**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**" or "**Subsidiary**" any person means any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles from time to time of the Cayman Islands or Hong Kong, should have its accounts consolidated with those of that person.

(B) Notification to National Development and Reform Commission of the People's Republic of China (the "NDRC")

The Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations(國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044號))issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

The Issuer shall comply with all applicable PRC laws and regulations in connection with the Bonds. The Issuer shall within ten PRC business days after submission of such NDRC Post-issue Filing provide the Trustee with (i) a certificate in English signed by any authorised signatory of the Issuer in substantially the form scheduled to the Trust Deed, confirming (A) the submission of the NDRC Post-issue 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 due filing with the NDRC, 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 submission of the NDRC Post-issue Filing.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor, assist or ensure the completion of the NDRC Post-issue 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 NDRC Post-issue Filing or to give notice to the Bondholders confirming the submission of the NDRC Post-Issue Filing, and shall not be liable to any Bondholder or any other person for not doing so.

5. Interest

The Bonds bear interest from and including the Issue Date at the rate of 5.25 per cent. per annum on the principal amount of the Bonds. Interest is payable semi-annually in arrear on 25 January and 25 July in each year (each an "**Interest Payment Date**") commencing on 25 July 2021. 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 2.0 per cent. per annum above the rate aforesaid (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 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 7 March 2021 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$7.7530 = US$1.00 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 7 January 2021 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 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.

(iii) *Conversion Price:* The price at which Shares will be issued upon conversion (the "**Conversion Price**") will initially be HK$8.91 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) obtainable from the specified office of each 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. 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 the Conversion Date in relation to 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) but before the relevant adjustment becomes effective under the relevant Condition, upon the relevant adjustment becoming effective 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 as is, together with Shares to be issued on conversion of the Bonds, 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 after the relevant record date.

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 in all respects rank *pari passu* with the Shares in issue on the relevant Registration Date. 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.

If the record date for the payment of any dividend or other distribution in respect of the Shares falls on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such retroactive adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in Hong Kong dollars (the "**Equivalent Amount**") converted if necessary into US dollars at the Prevailing Rate (as defined below) equal to the Fair Market Value (as defined below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a US dollar denominated cheque drawn on, or by 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 Conversion Notice.

The Issuer is not obliged to issue Shares in satisfaction of the Conversion Rights in breach of its obligations under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") or in the circumstances not permitted by laws then in force in the Cayman Islands.

(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 or in the event the Bond carries an entitlement to receive an Equivalent Amount. 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.

(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 Current Market Price on the date of announcement of the terms of such issue of such Shares multiplied by the number of such Shares to be issued by way of Scrip Dividend, exceeds the Relevant Cash Dividend or the relevant part thereof, 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

C is 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;

B is 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:

A is 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 15.0 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 fall 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 (c) 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 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).

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 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.

"**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 Conditions 4(I) and 8(C) 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 Conditions 4(I) and 8(C).

"**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.

"**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, Ms. Zhang Hongxia and Ms. Zhang Yanhong;

(ii) the estate or the immediate family members of the Persons specified in clause (i) of this definition and any trust established for the benefit of the above Persons 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.

"**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 to the extent that an adjustment is made under

Condition 6(C)(iii) in respect of the Relevant Cash Dividend, an adjustment may also be made for the amount by which the Current Market Price of the Shares exceeds the Relevant Cash Dividend or part thereof) under Condition 6(C)(ii)(b).

"**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 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.

"**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 as soon as practicable 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 results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, 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; 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 25 January 2026. 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), 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 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.

(C) Redemption at the Option of the Issuer

On giving not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee (which notice will be irrevocable), 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; *provided that* prior to the date of such notice 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 25 January 2023 (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(C) 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 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 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.

(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.

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 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 withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such 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 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 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, 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 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:* a default is made in the payment of any principal or interest due in respect of the Bonds or any Subsidiary Guarantee and such default continues for 5 days;

(ii) *Breach of Other Obligations:* the Issuer or any Subsidiary Guarantor does not perform or comply with one or more of its other obligations in the Bonds, the Subsidiary Guarantees or the Trust Deed which default is incapable of remedy or is not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee;

(iii) *Failure to deliver Shares:* any failure by the Issuer to deliver any Shares as and when the Shares are required to be delivered following conversion of Bonds;

(iv) *Insolvency:* the Issuer or any of its Restricted Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any material part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Restricted Subsidiaries; an administrator or liquidator of the Issuer or any of its Restricted Subsidiaries or the whole or any material part of the assets and turnover of the Issuer or any of its Restricted Subsidiaries is appointed (or application for any such appointment is made);

(v) *Cross-Default:* (a) any other present or future indebtedness (whether actual or contingent) of the Issuer or any of its subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (b) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (c) the Issuer or any of its subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(v) have occurred equals or exceeds US$30.0 million or its equivalent (as determined on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which such amount becomes due and payable or is not paid) in any other currency on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantees or indemnity;

(vi) *Enforcement Proceedings:* a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against all or substantially all of the property, assets or turnover of the Issuer or any of its Restricted Subsidiaries and is not discharged or stayed within 30 days;

(vii) *Winding-up:* an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Restricted Subsidiaries (except for a members' voluntary solvent winding up of a Restricted Subsidiary), or the Issuer or any of its Restricted Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Restricted Subsidiary, whereby the undertaking and assets of such Restricted Subsidiary are transferred to or otherwise vested in the Issuer or another of its Restricted Subsidiaries;

(viii) *Security Enforced:* an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or a material part of the property, assets or turnover of the Issuer or any of its Restricted Subsidiaries (as the case may be) and is not discharged within 30 days;

(ix) *Nationalisation:* any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all of the assets of the Issuer or any of its Restricted Subsidiaries;

(x) *Authorisation and Consents:* any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds and the Trust Deed admissible in evidence in the courts of the Cayman Islands and Hong Kong is not taken, fulfilled or done;

(xi) *Illegality:* it is or will become unlawful for the Issuer to perform or comply with any one or more of its material obligations under any of the Bonds or the Trust Deed;

(xii) *Guarantee Not in Force:* any Subsidiary Guarantee is not (or is claimed by the Issuer or any Subsidiary Guarantor not to be) in full force and effect; and

(xiii) *Analogous Events:* any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(i) to 10(xii) (both inclusive).

In this Condition:

"**Restricted Subsidiary**" means "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 in the manner provided in the Trust Deed and (ii) any Subsidiary of an Unrestricted Subsidiary; *provided that* to the extent that any Existing Notes remain outstanding, an Unrestricted Subsidiary designated hereunder shall also be designated as an unrestricted subsidiary under such Existing Notes.

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 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 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. 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 or the Equivalent Amount payable in respect of the Bonds or changing the method of calculation of the Equivalent Amount, (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) if required by the Trustee, 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.

(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 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.

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 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. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

The Trustee 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 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 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 shall not at any time have any responsibility for the same and no Bondholder shall rely on the Trustee 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 registered office at 8th Floor, 100 Bishopsgate, London EC2N 4AG as its agent for service of process in England.

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 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

Cancellation of any Bond by the Issuer following its redemption, conversion or purchase by the Issuer or any of its subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

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 Right 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 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 January 2026 (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 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*".

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 within the time limits set out in and containing the information required by the Conditions and Condition 8(I) (*Redemption Notices*) of the Conditions except that the notice shall not be required to contain the serial numbers of Bonds drawn for redemption in the case of a partial redemption of Bonds and accordingly no drawing of Bonds for redemption shall be required.

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) 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 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 accountholders.

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 and Shares 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 or the Shares 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 and Shares, 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 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 to any holder of the Bonds, as the case may be, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are a party to a double taxation treaty entered into with the United Kingdom in 2010 but otherwise are not party to any double taxation treaties.

No stamp duty is payable in respect of the issue of the Bonds provided that they are issued, executed and remain outside the Cayman Islands. An instrument of transfer in respect of a Bond is stampable if executed in or brought into the Cayman Islands.

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, have obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Act (1999 Revision). In accordance with the provision of section 6 of the Tax Concessions Act (1999 Revision), the Governor in Cabinet undertakes with our Company that (i) no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and (ii) no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company, on or in respect of the shares, debentures or other obligations of our Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Act (1999 Revision). These concessions shall be for a period of 20 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 the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong Taxation

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

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

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

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

Stamp Duty

No Hong Kong stamp duty 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 Hong Kong, as is expected to be the case).

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of 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. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12% of the value-added tax payment and consequently, the combined rate of value-added tax and local levies would be around 6.72%. 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 as are 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 of such Shareholders as, being entitled to do so, vote in person or, in the case of 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 and not less than twenty (20) clear business days and any extraordinary general meeting at which the passing of a special resolution is to be considered must be called by notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business 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%) of the total voting rights at the meeting of all the Shareholders.

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 the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

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)).

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 every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or not more than eighteen (18) months after the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

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 may be suspended after giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Directors may determine.

The register of members may be closed after giving notice by advertisement in an appointed newspaper or 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 any year).

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 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 register and branch register of members shall be open to inspection for at least two (2) hours during business hours 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 when the meeting proceeds to 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 property of one kind or shall consist of properties 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 to be divided as aforesaid 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 7 January 2021 (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.$)
CNCB (Hong Kong) Capital Limited	US$52,500,000
UBS AG Hong Kong Branch	US$150,000,000
China International Capital Corporation Hong Kong Securities Limited	US$52,500,000
CMB International Capital Limited	US$30,000,000
Credit Agricole Corporate and Investment Bank	US$9,000,000
ING Bank N.V.	US$6,000,000
Total	US$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 November 2017 CB.

Hongqiao Holdings, being the Major Shareholder of the Company, has executed a lock-up undertaking dated 7 January 2021, in favour of the Joint Lead Managers that, for a period commencing from the date of the undertaking to 90 days after the Issue Date, without the prior written consent of the Joint Lead Managers, it will not, and will procure that none of its nominees, companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) and affiliates will (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Lock-up Shares (as defined below) or any interests therein beneficially owned or held by such Major Shareholder or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Lock-up Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Lock-up Shares, whether any such transaction described in (i) or

(ii) above is to be settled by delivery of Lock-up Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above. "**Lock-up Shares**" mean the 6,076,513,573 Shares, representing 68.44 per cent. of the existing issued share capital of the Company, held by the Shareholders.

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.

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

Each of Joint Lead Managers, severally and not jointly, represents, warrants, agrees and undertakes that:

(i) the Bonds (or the Shares) may not be offered or sold in the United States as part of its distribution at any time;

(ii) it has not offered or sold, and will not offer or sell, any Bonds (or the Shares) except in accordance with Rule 903 of Regulation S or another exemption from registration under the Securities Act; and

(iii) neither it nor its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Bonds (or the Shares).

EUROPEAN ECONOMIC AREA

Each of the Joint Lead Managers represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds 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 Directive 14/65/EU (as amended, "**MiFID II**"); or

(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.

Furthermore, the Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available by any person to any retail investor in the EEA. Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (as amended, the "**EU 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 EU PRIIPs Regulation.

UNITED KINGDOM

Each of the Joint Lead Managers represents, warrants and agrees that:

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

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

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

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

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

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

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

Furthermore, 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 UK. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (as amended, the "**UK PRIIPs Regulation**") for offering or selling the 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.

HONG KONG

Each of the Joint Lead Managers represents and agrees (as to itself only) 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 purpose 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 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 and will not be 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 Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

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

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

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

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

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

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

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 Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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 "**FIEA**"). Accordingly, each of the Joint Lead Managers has represented, warranted and undertaken that it 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 of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines 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 to subscribe for, whether directly or indirectly, to the public in the Cayman Islands.

BRITISH VIRGIN ISLANDS

Each of the Joint Lead Managers has represented and agreed that no offer 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 2018 and 2019 included in this Offering Circular have been audited by and our interim condensed consolidated financial statements as of and for the six months ended 30 June 2020 included in this Offering Circular have been reviewed by SHINEWING (HK) CPA Limited certified public accountants as stated in their reports 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 7 January 2021 and the guarantee of the Bonds was authorized by the board of directors of the Subsidiary Guarantors on 7 January 2021. 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 22 May 2020.

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 2020 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 Corporate Trust Office of the Trustee following written request and proof of holding 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	XS2264840864	226484086

Only Bonds evidenced by a Global Certificate have been accepted for clearance through Euroclear and Clearstream.

Listing of the Bonds

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Company, the Subsidiary Guarantors or any of its associated companies (if any) or the Bonds or the Subsidiary Guarantees. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where such Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for Bonds in their definitive form. In addition, in the event that the Global Certificate is exchanged for Bonds in their definitive form, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.

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 dealing 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 CONSOLIDATED FINANCIAL STATEMENTS

REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Report on Review of Interim Condensed Consolidated Financial Information

信永中和 ShineWing

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

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 22 to 68, which comprise the interim condensed consolidated statement of financial position as at 30 June 2020 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing 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

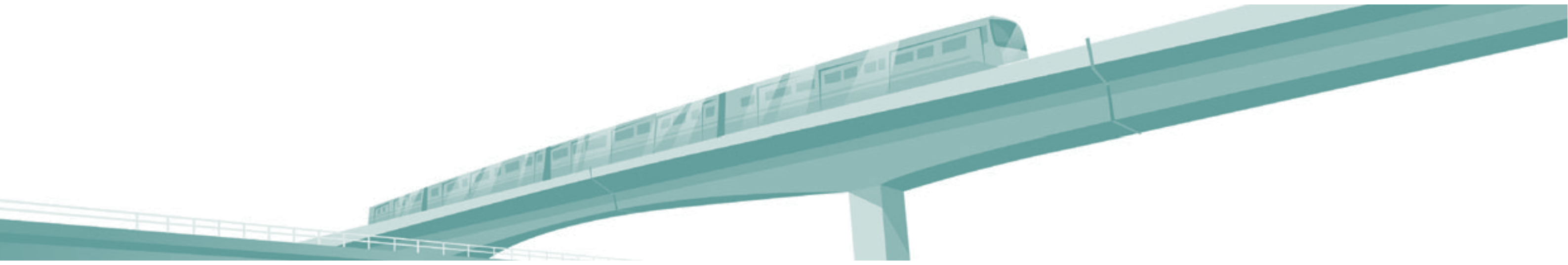
We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim condensed consolidated financial 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
Pang Wai Hang
Practising Certificate Number: P05044

Hong Kong
21 August 2020



Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

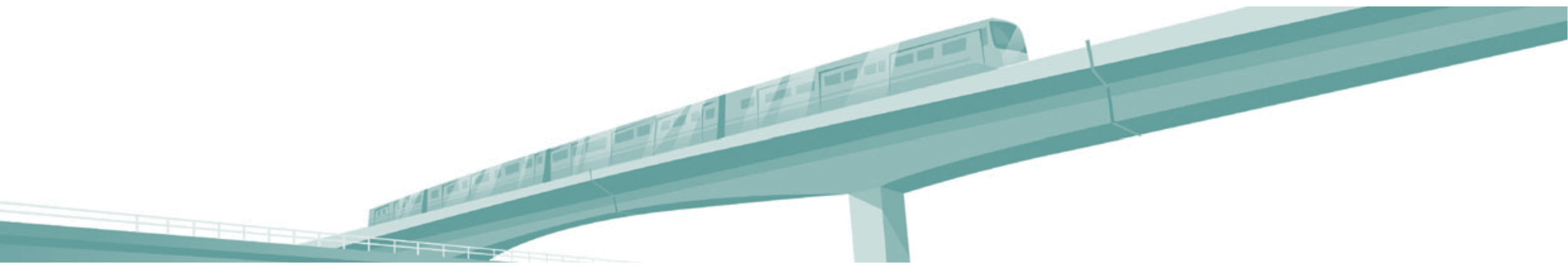
For the six months ended 30 June 2020

	Notes	Six months ended 30 June **2020** **RMB'000** **(Unaudited)**	 2019 RMB'000 (Unaudited)
Revenue	4	**39,938,675**	41,430,060
Cost of sales		**(33,470,276)**	(33,787,534)
Gross profit		**6,468,399**	7,642,526
Other income and gains	5	**1,075,567**	1,880,232
Selling and distribution expenses		**(152,559)**	(291,648)
Administrative expenses		**(1,858,407)**	(1,556,076)
Other expenses	6	**(362,421)**	(1,221,067)
Finance costs	8	**(2,210,955)**	(2,923,576)
Changes in fair value of derivatives	22	**86,166**	(24,896)
Share of profits of associates		**354,279**	376,878
Profit before taxation		**3,400,069**	3,882,373
Income tax expenses	7	**(595,591)**	(1,099,670)
Profit for the period	8	**2,804,478**	2,782,703
Profit (loss) for the period attributable to:			
Owners of the Company		**2,831,849**	2,477,037
Non-controlling interests		**(27,371)**	305,666
		2,804,478	2,782,703
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translating foreign operations		**59,717**	(746)
Share of other comprehensive income of associates		**21,357**	3,991
Other comprehensive income for the period		**81,074**	3,245
Item that will not be reclassified subsequently to profit or loss:			
Fair value loss on equity instruments at fair value through other comprehensive income		**(58,647)**	(101,796)
Total comprehensive income for the period, net of income tax		**2,826,905**	2,684,152
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**2,830,989**	2,378,777
Non-controlling interests		**(4,084)**	305,375
		2,826,905	2,684,152
Earnings per share	10		
– Basic (RMB)		**0.330**	0.287
– Diluted (RMB)		**0.325**	0.287

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

At 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**66,370,358**	71,019,374
Right-of-use assets	12	**5,254,570**	5,152,415
Intangible assets		**28,878**	24,884
Deposits paid for acquisition of property, plant and equipment		**583,493**	513,617
Deferred tax assets		**2,243,738**	2,084,454
Interests in associates	13	**5,319,312**	4,723,329
Loan to an associate		**–**	2,000,000
Goodwill	14	**509,575**	608,818
Financial asset at amortised cost	29	**1,000,000**	–
Financial asset at fair value through other comprehensive income	15	**230,692**	289,339
		81,540,616	86,416,230
CURRENT ASSETS			
Inventories	16	**21,335,966**	21,846,922
Trade receivables	17	**9,491,923**	10,311,326
Bills receivables	18	**8,155,954**	11,139,775
Prepayments and other receivables	19	**8,753,539**	6,075,312
Loan to an associate		**2,000,000**	–
Financial asset at fair value through profit or loss	30	**–**	2,005
Other financial asset	31	**1,742**	819
Income tax recoverable		**88,814**	–
Restricted bank deposits	20	**1,502,395**	1,423,967
Cash and cash equivalents	20	**41,079,476**	41,857,116
		92,409,809	92,657,242
Non-current assets classified as held for sale	21	**–**	530,973
		92,409,809	93,188,215
CURRENT LIABILITIES			
Trade and bills payables	23	**13,025,723**	18,215,656
Other payables and accruals		**10,645,789**	13,379,843
Bank borrowings – due within one year	24	**30,748,735**	29,054,849
Other borrowing – due within one year	25	**1,413,244**	1,391,446
Other financial liabilities	31	**12,319**	3,300
Lease liabilities	12	**25,081**	28,874
Income tax payable		**1,477,255**	1,727,235
Medium-term debentures and bonds – due within one year	26	**21,057,536**	1,495,784
Deferred income		**20,309**	22,330
		78,425,991	65,319,317



Interim Condensed Consolidated Statement of Financial Position (Unaudited)

At 30 June 2020

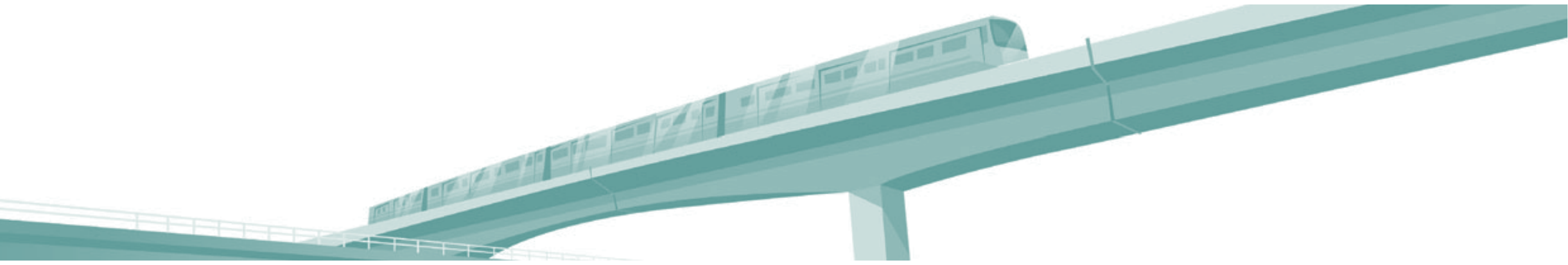
	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
NET CURRENT ASSETS		**13,983,818**	27,868,898
TOTAL ASSETS LESS CURRENT LIABILITIES		**95,524,434**	114,285,128
NON-CURRENT LIABILTIES			
Bank borrowings – due after one year	24	**3,831,035**	3,519,628
Lease liabilities	12	**51,073**	61,859
Liability component of convertible bonds	28	**1,241,102**	1,150,555
Derivatives component of convertible bonds	28	**189,833**	279,937
Deferred tax liabilities		**713,908**	721,545
Medium-term debentures and bonds – due after one year	26	**18,895,489**	38,529,229
Guaranteed notes	27	**3,514,105**	3,457,313
Deferred income		**611,797**	549,086
		29,048,342	48,269,152
NET ASSETS		**66,476,092**	66,015,976
CAPITAL AND RESERVES			
Share capital	32	**559,090**	559,090
Reserves	33	**62,770,353**	62,605,028
Equity attributable to owners of the parent		**63,329,443**	63,164,118
Non-controlling interests		**3,146,649**	2,851,858
TOTAL EQUITY		**66,476,092**	66,015,976

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 33)	Capital reserve RMB'000 (Note 33)	Translation reserve RMB'000 (Note 33)	Statutory surplus reserve RMB'000 (Note 33)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020 (Audited)	559,090	19,311,652	(686,767)	789,317	273,025	8,214,211	34,703,590	63,164,118	2,851,858	66,015,976
Profit for the period	–	–	–	–	–	–	2,831,849	2,831,849	(27,371)	2,804,478
Other comprehensive (expense) income for the period:										
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(58,647)	–	–	–	–	(58,647)	–	(58,647)
Exchange difference arising on translating foreign operations	–	–	–	–	36,430	–	–	36,430	23,287	59,717
Share of other comprehensive income of associates	–	–	–	–	21,357	–	–	21,357	–	21,357
Total comprehensive (expense) income for the period	–	–	(58,647)	–	57,787	–	2,831,849	2,830,989	(4,084)	2,826,905
Capital contribution	–	–	–	70	–	–	–	70	306,030	306,100
Share of capital reserve of an associate	–	–	–	75	–	–	–	75	–	75
Dividend paid (note 9)	–	–	–	–	–	–	(2,665,809)	(2,665,809)	(7,155)	(2,672,964)
	–	–	–	145	–	–	(2,665,809)	(2,665,664)	298,875	(2,366,789)
At 30 June 2020 (Unaudited)	559,090	19,311,652	(745,414)	789,462	330,812	8,214,211	34,869,630	63,329,443	3,146,649	66,476,092

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 33)	Capital reserve RMB'000 (Note 33)	Translation reserve RMB'000 (Note 33)	Statutory surplus reserve RMB'000 (Note 33)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019 (Audited)	566,172	19,829,421	(67,936)	783,942	223,665	7,204,845	31,425,252	59,965,361	2,654,136	62,619,497
Profit for the period	–	–	–	–	–	–	2,477,037	2,477,037	305,666	2,782,703
Other comprehensive (expense) income for the period:										
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	(101,796)	–	–	–	–	(101,796)	–	(101,796)
Exchange difference arising on translating foreign operations	–	–	–	–	(455)	–	–	(455)	(291)	(746)
Share of other comprehensive income of associates	–	–	–	–	3,991	–	–	3,991	–	3,991
Total comprehensive (expense) income for the period	–	–	(101,796)	–	3,536	–	2,477,037	2,378,777	305,375	2,684,152
Capital contribution	–	–	–	–	–	–	–	–	9,000	9,000
Shares repurchased and cancelled (note 32)	(7,082)	(517,769)	–	–	–	–	–	(524,851)	–	(524,851)
Dividend paid (note 9)	–	–	–	–	–	–	(1,807,631)	(1,807,631)	(65,404)	(1,873,035)
	(7,082)	(517,769)	–	–	–	–	(1,807,631)	(2,332,482)	(56,404)	(2,388,886)
At 30 June 2019 (Unaudited)	559,090	19,311,652	(169,732)	783,942	227,201	7,204,845	32,094,658	60,011,656	2,903,107	62,914,763



Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

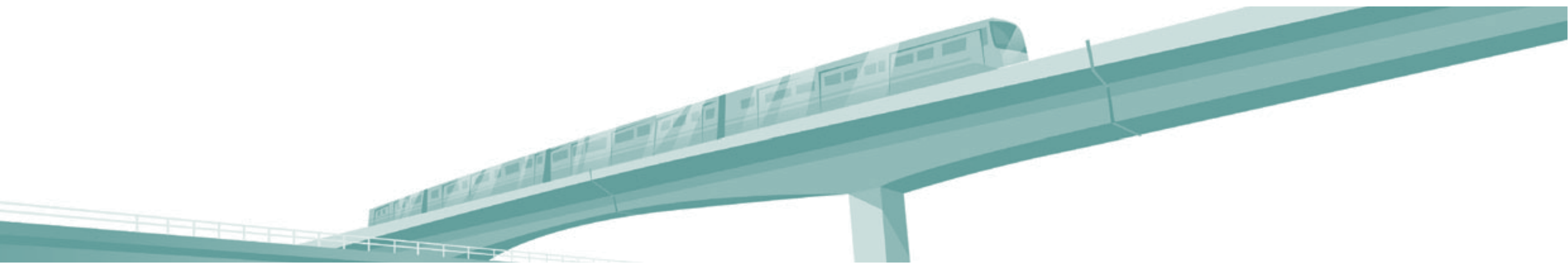
For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash generated from (used in) operations	**5,437,090**	(3,190,222)
Income tax paid	**(1,101,694)**	(1,259,337)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**4,335,396**	(4,449,559)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(2,658,084)**	(1,789,519)
Advance to an associate	**–**	(2,000,000)
Proceeds from disposal of property, plant and equipment	**705,914**	239,314
Proceeds from disposal of investment properties	**–**	315,590
Proceeds from disposal of right-of-use assets	**42,021**	–
Addition to intangible assets	**(1,008)**	(1,757)
Addition to right-of-use assets	**(216,069)**	(1,515)
Redemption of investment trust	**2,005**	–
Net cash outflow arising from acquisition of a subsidiary	**–**	(27,900)
Proceed from prior year disposal of a subsidiary	**–**	590,000
Addition of an associate	**–**	(2,250,000)
Capital injection to associates	**(185,642)**	–
Interest received	**269,125**	100,037
Placement of restricted bank deposits	**(1,315,257)**	(1,336,121)
Repayment on prior year acquisition of a subsidiary	**(55,500)**	–
Withdrawal of restricted bank deposits	**1,236,829**	1,091,804
NET CASH USED IN INVESTING ACTIVITIES	**(2,175,666)**	(5,070,067)

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Dividends paid	**(2,672,964)**	(1,873,029)
Payment on repurchases of shares of the Company	**–**	(524,851)
Payment of lease liabilities	**(14,454)**	(8,270)
Proceeds from issuance of medium-term debentures and bonds	**–**	2,000,000
Repayment of short-term debentures and notes	**–**	(4,000,000)
Repayment of medium-term debentures	**–**	(1,758,000)
Transaction costs on issuance of medium-term debentures and notes	**–**	(23,600)
Repayment of guaranteed notes	**–**	(3,076,901)
New bank borrowings	**15,188,560**	10,229,338
Repayment of bank borrowings	**(13,212,325)**	(8,819,321)
Interest paid	**(2,640,626)**	(2,310,956)
Receipt of government grants	**104,155**	19,263
Contribution from non-controlling interests	**300,000**	9,000
NET CASH USED IN FINANCING ACTIVITIES	**(2,947,654)**	(10,137,327)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(787,924)**	(19,656,953)
Effect of changes in foreign exchange rates	**10,284**	1,741
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**41,857,116**	45,380,413
CASH AND CASH EQUIVALENTS AT 30 JUNE represented by bank balances and cash	**41,079,476**	25,725,201



Notes to the Interim Condensed Consolidated Financial Information (Unaudited)

For the six months ended 30 June 2020

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 are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries in the People's Republic of China ("PRC") and Hong Kong. The functional currency of a subsidiary established in Indonesia is denoted in Indonesia Rupiah ("IDR") and the functional currency of subsidiaries established in Singapore and the Republic of Guinea are denoted in United States Dollar ("US$").

2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB"). This interim condensed consolidated financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019, 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 have 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 2019 except as disclosed below.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2020.

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate Benchmark Reform

Except as described below, the Amendments to References to the Conceptual Framework in IFRSs and amendments to IFRSs in the current interim period has had no material effects 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.

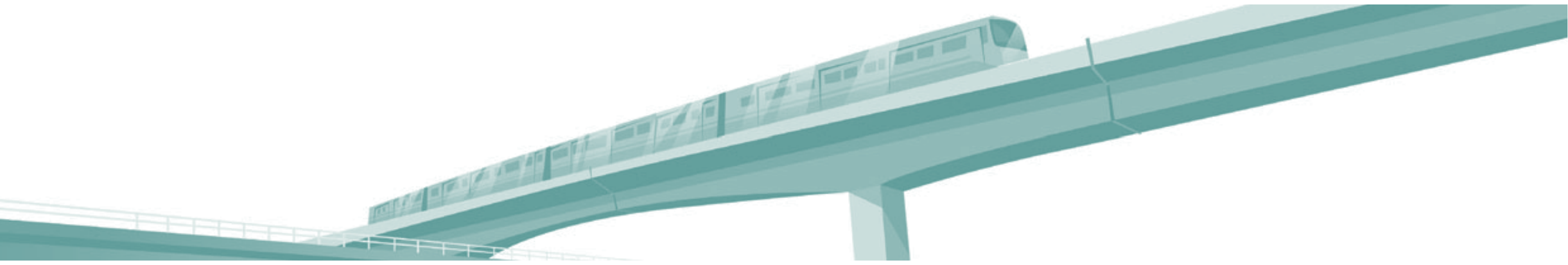
Amendments to IFRS 3 *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when 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 Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. These amendments had no impact on the interim condensed consolidated financial information of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.



4. REVENUE

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from sales of aluminum products		
– molten aluminum alloy	**26,578,661**	29,268,773
– aluminum alloy ingot	**2,463,650**	1,159,352
– aluminum fabrication	**4,134,386**	4,466,496
– alumina products	**6,391,488**	6,157,040
Steam supply income	**370,490**	378,399
	39,938,675	41,430,060

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Geographical region		
The PRC	**38,206,612**	39,429,020
India	**389,859**	640,754
Europe	**349,999**	296,619
Malaysia	**95,634**	678,495
Southeast Asia	**434,451**	164,774
North America	**296,234**	102,531
Others	**165,886**	117,867
Total	**39,938,675**	41,430,060
Type of customers		
Government related	**281**	1,114
Non-government related	**39,938,394**	41,428,946
Total	**39,938,675**	41,430,060
Sales channels		
Direct sales	**39,938,675**	41,430,060

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Amortisation of deferred income	**43,465**	9,584
Bank interest income	**55,582**	44,568
Investment income	**33,484**	–
Interest income from an associate	**75,708**	–
Imputed interest on receivables arising from disposal of a subsidiary	**–**	36,715
Other interest income	**115,628**	92,168
Rental income for investment properties under operating lease that lease payment are fixed	**–**	6,207
Gain from sales of raw materials and scraps materials	**290,227**	176,837
Gain from sales of slag of carbon anode blocks	**268,446**	427,339
Gain on bargain purchase (note 35)	**–**	3,282
Gain on disposal of property, plant and equipment	**31,012**	89,840
Gain on disposal of investment properties	**–**	241,587
Investment gains from derivatives	**–**	2,538
Other tax refund	**63,849**	–
Reversal of impairment of property, plant and equipment	**–**	658,974
Reversal of impairment of other receivables	**–**	13,335
Reversal of impairment of inventories	**75,098**	43,025
Others	**23,068**	34,233
	1,075,567	1,880,232

6. OTHER EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of trade receivables	**16,532**	15,166
Impairment loss recognised in respect of other receivables	**11,735**	259
Impairment loss recognised in respect of property, plant and equipment	**152,520**	1,174,743
Impairment loss recognised in respect of goodwill	**99,243**	–
Write-down of inventories to net realisable value	**82,391**	30,899
	362,421	1,221,067

7. INCOME TAX EXPENSES

The Group calculates the period income tax expenses using the tax rates that would be applicable to the expected total annual earnings. The major components of income tax expenses in the condensed consolidated statement of profit or loss and other comprehensive income are:

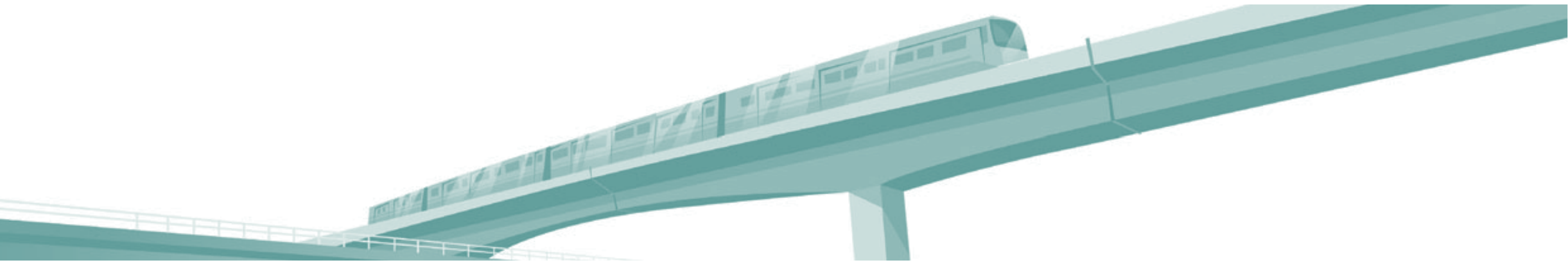
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	**–**	47,350
– Indonesia Corporate Tax	**13,357**	71,638
– PRC Enterprise Income Tax	**749,155**	1,214,194
	762,512	1,333,182
Over provision in previous years:		
– Hong Kong Profits Tax	**–**	(6,166)
	–	(6,166)
Deferred taxation	**(166,921)**	(227,346)
Total income tax expenses	**595,591**	1,099,670

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	**824,922**	904,049
Interest expenses on other borrowing	**47,997**	49,171
Interest expenses on short-term debentures and notes	**–**	46,807
Interest expenses on medium-term debentures and bonds	**1,088,809**	1,747,337
Interest expenses on guaranteed notes	**131,410**	73,303
Interest expenses on convertible bonds	**116,164**	101,367
Interest expenses on lease liabilities	**1,653**	1,542
Total finance costs	**2,210,955**	2,923,576
Amortisation of intangible assets	**3,114**	2,599
Cost of inventories recognised as an expense	**33,116,925**	33,366,851
Depreciation for property, plant and equipment	**3,468,584**	3,576,607
Depreciation for investment properties	**–**	1,121
Depreciation for right-of-use assets	**72,046**	63,863
Foreign exchange loss	**198,467**	30,173
Research and development expenses (note)	**375,147**	327,852
Gross rental income from investment properties	**–**	6,207
Less: direct operating expenses incurred for investment properties that generated rental income during the period	**–**	(99)
	–	6,108

Note: Included in research and development expenses was staff cost of approximately RMB63,026,000 (six months ended 30 June 2019: RMB58,618,000).



9. DIVIDENDS

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period	**2,665,809**	1,807,631

Subsequent to the end of the reporting period, the board of directors determined that an interim dividend of HK15.0 cents per share, amounting to approximately HK$1,285,628,000 will be paid. 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 statements, has not been recognised as a liability in the interim condensed consolidated financial statements.

During the current period, a final dividend of HK34.0 cents per share in respect of the year ended 31 December 2019 has been approved and paid.

During the six months ended 30 June 2019, a final dividend of HK24.0 cents per share in respect of the year ended 31 December 2018 has been approved and paid.

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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share	**2,831,849**	2,477,037
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	**116,164**	–
Changes in fair values of derivatives component of convertible bonds	**(94,262)**	–
Exchange loss on translation of liability component of convertible bonds	**22,214**	–
Earnings for the purpose of diluted earnings per share	**2,875,965**	2,477,037

10. EARNINGS PER SHARE (CONTINUED)

	Six months ended 30 June	
	2020	2019
	’000	’000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,570,852**	8,630,209
Effect of dilutive potential ordinary shares:		
Convertible bonds	**269,669**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**8,840,521**	8,630,209

The computation of diluted earnings per share for the six months ended 30 June 2019 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 2020, the Group purchased property, plant and equipment of approximately RMB1,865,586,000, excluding transferred from construction in progress of approximately RMB536,092,000, and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB2,962,647,000 (six months ended 30 June 2019: purchased approximately RMB2,071,125,000, excluding property, plant and equipment acquired from new acquired subsidiaries with carrying amount of approximately RMB421,600,000, transferred from construction in progress of approximately RMB3,188,327,000, transferred to held for sale with carrying amount of approximately RMB530,973,000 and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB149,474,000).

During the six months ended 30 June 2020, the Group spent approximately RMB1,703,290,000 (six months ended 30 June 2019: RMB1,423,525,000) on the construction of its new product lines and power plant.

The depreciation of the Group for the six months ended 30 June 2020 is approximately RMB3,468,584,000 (six months ended 30 June 2019: RMB3,576,607,000).

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the six months ended 30 June 2020, due to the coal consumption reduction alternative work programme introduced by the relevant governmental regulations, the directors of the Company have suspended certain plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of approximately RMB152,520,000 have been recognised in respect of the Group's property, plant and equipment. The recoverable amounts of relevant property, plant and equipment was determined on the basis of their fair value less costs of disposal.

During the six months ended 30 June 2019, due to the relocation of production capacities programme and the coal consumption reduction alternative work programme introduced by the relevant governmental regulations, the directors of the Company suspended certain property, plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of approximately RMB1,174,743,000 was recognised in respect of the Group's property, plant and equipment. The recoverable amounts of relevant property, plant and equipment was determined on the basis of their value-in-use.

During the six months ended 30 June 2019, due to the relocation of production capacities programme, certain of previous impaired property, plant and equipment resumed its production and certain property, plant and equipment previously impaired would be sold within twelve months. The directors of the Company conducted a review of the related property, plant and equipment and determined that a reversal of provision for impairment loss on relevant property, plant and equipment should be recognised. Accordingly, a reversal of provision for impairment of approximately RMB658,974,000 was recognised (six months ended 30 June 2020: nil).

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparable approach is used to measure fair value less costs of disposal. The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy.

The valuations carried out on 30 June 2020 and 2019 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 properties in the relevant locations.

At 30 June 2020, certain of the Group's property, plant and equipment with a net carrying amount of approximately RMB12,486,648,000 (31 December 2019: RMB11,121,259,000) are pledged to secure bank borrowings of the Group (note 36).

Buildings with carrying amount of RMB4,405,436,000 (31 December 2019: RMB4,488,324,000) located in the PRC are in the process of obtaining the property certificates.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

As at 30 June 2020, right-of-use assets of approximately RMB5,177,818,000 (31 December 2019: RMB5,061,136,000) 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 2020, the Group purchased land use right of approximately RMB216,069,000 located in the PRC and disposed land use right with carrying amount of approximately RMB42,021,000.

As at 30 June 2020, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB947,818,000 (31 December 2019: RMB981,668,000). In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

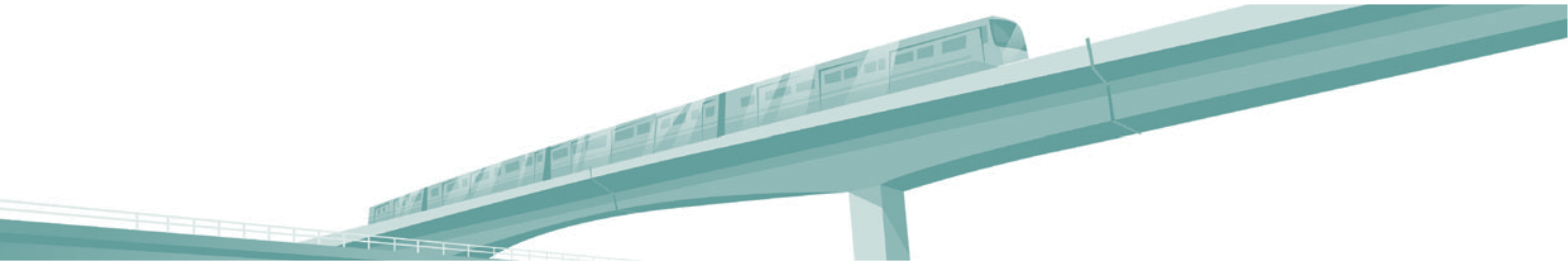
The Group has lease arrangements for office premises and factories and crew boats, vessels and crane barges of approximately RMB64,099,000 and RMB12,653,000 (31 December 2019: RMB74,180,000 and RMB17,099,000), respectively. The lease terms are generally ranged from 2 to 20 years.

The depreciation of the Group for the six months ended 30 June 2020 is approximately RMB72,046,000 (six months ended 30 June 2019: RMB63,863,000).

At 30 June 2020, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB297,308,000 (31 December 2019: RMB300,980,000) were pledged to secure bank borrowings of the Group (note 36).

(ii) Lease liabilities

As at 30 June 2020, the carrying amount of lease liabilities was approximately RMB76,154,000 (31 December 2019: RMB90,733,000).



12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

(iii) Amount recognised in profit or loss

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	**72,046**	63,863
Interest expense on lease liabilities	**1,653**	1,542
Expense relating to short-term leases	**–**	160

(iv) Other

During the six months ended 30 June 2020, the total cash outflow for leases amounted to approximately RMB16,107,000 (six months ended 30 June 2019: RMB8,430,000).

13. INTEREST IN ASSOCIATES

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Costs of investments in associates	**2,618,978**	2,433,261
Share of profits and other comprehensive income, net of dividends received	**1,921,589**	1,522,686
	4,540,567	3,955,947
Loan to an associate	**778,745**	767,382
	5,319,312	4,723,329

The loan to an associate of US$110,000,000, equivalent to approximately RMB778,745,000 (31 December 2019: US$110,000,000) are unsecured, interest-free and repayable after one year.

The Group's payable balances with the associates are disclosed in note 38.

14. GOODWILL

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cost		
At beginning and at the end of the financial period/year	**1,934,457**	1,934,457
Accumulated impairment losses		
At beginning and end of the financial period/year	**1,325,639**	1,325,639
Impairment loss recognised during the period/year	**99,243**	–
At the end of the financial period/year	**1,424,882**	1,325,639
Carrying amount		
At the end of the financial period/year	**509,575**	608,818

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

During the six months ended 30 June 2020, the Group recognised an impairment loss of approximately RMB99,243,000 (six months ended 30 June 2019: nil) in relation to goodwill arising on acquisition of Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang"), resulting in the carrying amount of the CGU being written down to its recoverable amount. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang. No impairment loss have been recognised during the year ended 31 December 2019.

15. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

Financial asset at FVTOCI comprise:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Equity instrument as at FVTOCI		
– Listed	**230,692**	289,339

The fair value of this investment is disclosed in note 34.

Investments in listed equity securities represent the Group's investment in Bank of Jinzhou, a company listed in Hong Kong and engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the China Banking Regulatory Commission. This investment in equity instrument is not held for trading. Instead, it is held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate this investment in equity instrument as at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding this investment for long-term purposes and realising its performance potential in the long run.

16. INVENTORIES

At 30 June 2020, the carrying amounts of the Group's inventories were net of impairment provision of approximately RMB117,873,000 (31 December 2019: RMB110,580,000).

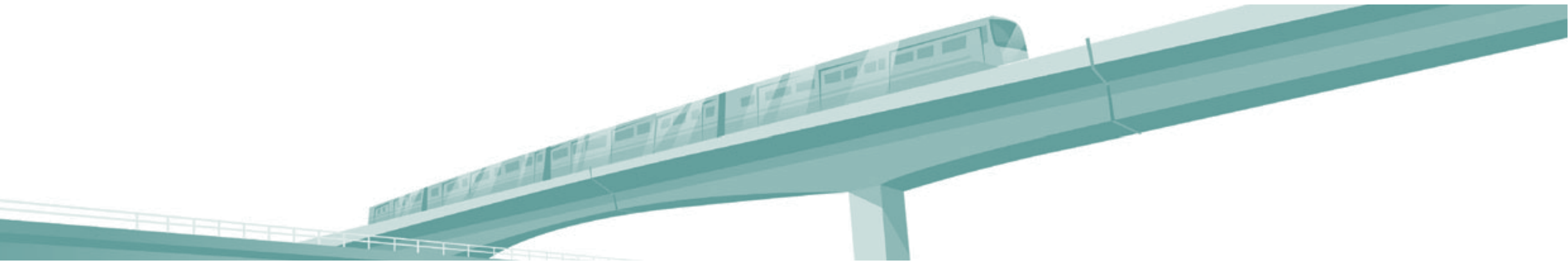
During the period, inventories previously impaired were sold at profit. As a result, a reversal of provision of approximately RMB75,098,000 (six months ended 30 June 2019: RMB43,025,000) has been recognised and included in other income and gains in the current period.

17. TRADE RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade receivables	9,515,456	10,318,327
Less: allowance for impairment loss	(23,533)	(7,001)
	9,491,923	10,311,326

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 3 months	8,261,475	8,561,127
3-12 months	1,213,928	1,748,274
12-24 months	16,520	1,925
	9,491,923	10,311,326



18. 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 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 3 months	**4,492,021**	6,343,124
3 to 6 months	**3,318,974**	4,416,395
Over 6 months	**344,959**	380,256
	8,155,954	11,139,775

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 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**8,031,069**	11,129,710
Carrying amount of trade payables	**(7,327,617)**	(10,898,559)
Carrying amount of other payables	**(703,452)**	(231,151)
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.

19. PREPAYMENTS AND OTHER RECEIVABLES

The balance consists of prepayments and other receivables of:

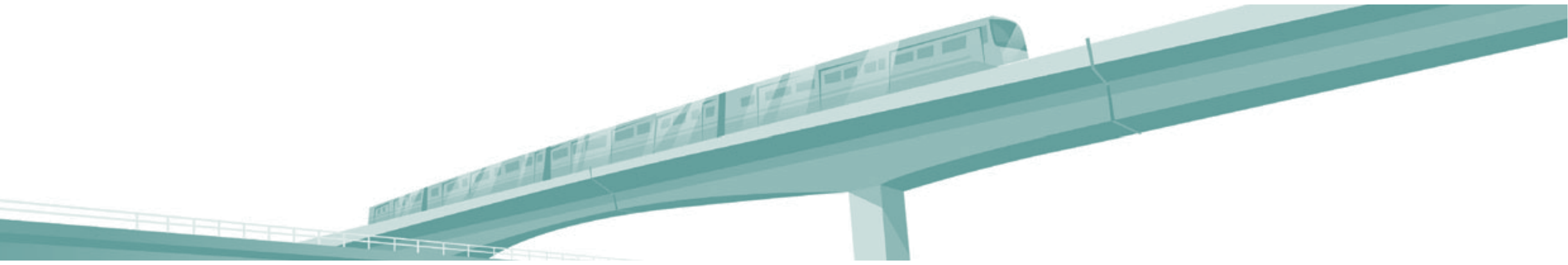
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Prepayments to suppliers	**1,129,092**	967,864
Prepayment to an associate	**3,232,612**	2,438,457
Receivables arising from disposal of plant and equipment (note)	**2,400,000**	–
Receivables arising from disposal of non-current assets classified as held-for-sale (note 21)	**400,000**	–
Other receivables	**1,644,270**	2,709,691
	8,805,974	6,116,012
Less: allowance for impairment loss	**(52,435)**	(40,700)
	8,753,539	6,075,312

Note: On 18 March 2020, the Group has entered into a sales and purchase agreement with an independent third party agreed to dispose a power unit and its related assets and liabilities located in Zouping, at a cash consideration of RMB3,000,000,000. The transaction was completed and part of the consideration of RMB600,000,000 has been received during the six months ended 30 June 2020. The balance in aggregate of RMB2,400,000,000 is guaranteed by the acquirer's wholly-owned subsidiary which also is one of the major suppliers of the Group.

20. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Cash and bank balances	**41,079,476**	41,857,116
Restricted bank deposits	**1,502,395**	1,423,967
	42,581,871	43,281,083
Less:		
Restricted bank deposits:		
– pledged for bills payables	**(1,007,009)**	(1,002,928)
– pledged for issuance of letter of credit	**(201,611)**	(117,472)
– pledged for guarantee issued	**(293,775)**	(299,060)
– other restricted bank balances	**–**	(4,507)
Cash and cash equivalents	**41,079,476**	41,857,116



21. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 1 May 2019, Binzhou City Zhanhua District Huihong New Material Co., Ltd.* 濱州市沾化區匯宏新材料有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, to dispose of certain of its construction in process of property, plant and equipment in Binzhou City Zhanhua District, at a consideration of RMB600,000,000. RMB200,000,000 of the consideration was received during the year ended 31 December 2019. The remaining balance of RMB400,000,000 will be received within 2020.

The disposal is expected to be completed within twelve months from the end of 2019 and is therefore classified as assets held for sales in the consolidated statement of financial position for the year ended 31 December 2019. The sales proceeds are expected to exceed the net carrying amounts of the relevant assets and accordingly, no impairment has been recognised. The disposal was negotiated under arm's length basis and approved by the board of directors' of the subsidiary.

During the six months ended 30 June 2020, the disposal was completed and the legal title of the property, plant and equipment has been transferred.

Major classes of assets as at the end of the current interim period are as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Property, plant and equipment	**–**	530,973
Assets classified as held for sale	**–**	530,973

* The English name of the above company is for reference only

22. CHANGES IN FAIR VALUES OF DERIVATIVES

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Changes in fair values arising from:		
– capped forward contract	**923**	–
– interest rate swaps contracts	**(9,019)**	54
– derivatives component of convertible bonds (note 28)	**94,262**	(24,950)
	86,166	(24,896)

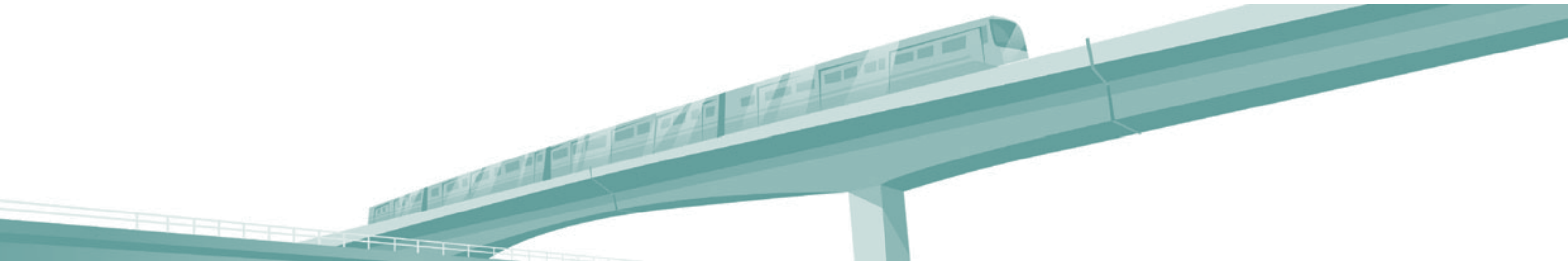
23. TRADE AND BILLS PAYABLES

	As at 30 June 2020	As at 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	**10,966,654**	16,076,814
Bills payables	**2,059,069**	2,138,842
	13,025,723	18,215,656

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 2020	As at 31 December 2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	**10,607,987**	15,609,824
6-12 months	**267,686**	422,080
1-2 years	**53,594**	10,658
More than 2 years	**37,387**	34,252
	10,966,654	16,076,814

The average credit period on purchases of goods is six months. Bills payables are bills of acceptance with maturity of less than one year.



24. BANK BORROWINGS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Current		
Secured bank borrowings	**8,026,235**	8,342,748
Unsecured bank borrowings	**22,722,500**	20,712,101
	30,748,735	29,054,849
Non-current		
Secured bank borrowings	**507,617**	405,990
Unsecured bank borrowings	**3,323,418**	3,113,638
	3,831,035	3,519,628
	34,579,770	32,574,477

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within one year	**30,748,735**	29,054,849
In the second year	**997,808**	2,221,874
In the third to fifth years, inclusive	**1,527,650**	1,297,754
Over fifth years	**1,305,577**	–
	34,579,770	32,574,477

Fixed-rate borrowings with an aggregate carrying amount of approximately RMB12,452,208,000 (31 December 2019: RMB11,874,602,000) denominated in RMB at interest rate ranged from 2.05% to 6.00% (31 December 2019: 3.40% to 7.00%) per annum as at 30 June 2020.

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

Bank borrowings of approximately RMB299,000,000 (31 December 2019: RMB299,000,000) which are guaranteed by a related party was set out in note 38(c).

25. OTHER BORROWING

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Other borrowing, unsecured		
Amount shown under current liabilities	**1,413,244**	1,391,446

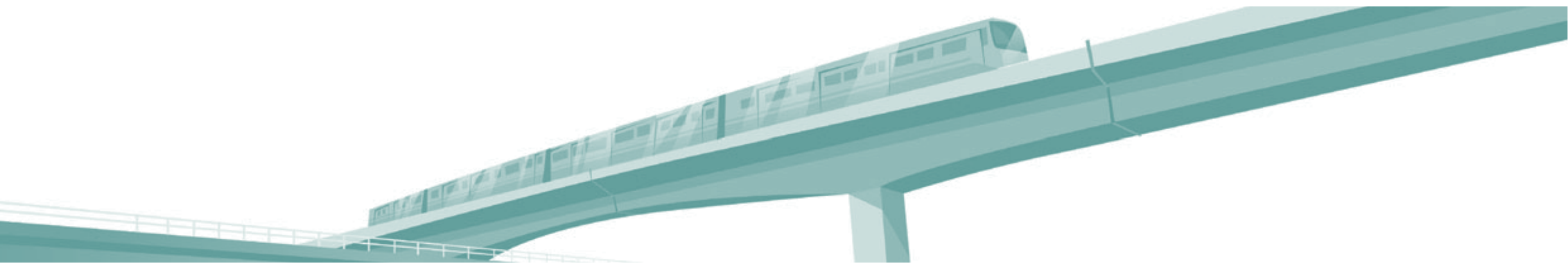
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreement):

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within one year	**1,413,244**	1,391,446

The interest rate of the other borrowing of US$200,000,000 (31 December 2019: US$200,000,000) is fixed at 7.50% per annum (31 December 2019: 7.50% per annum).

26. MEDIUM-TERM DEBENTURES AND BONDS

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Medium-term debentures and bonds – due within one year	**21,057,536**	1,495,784
Medium-term debentures and bonds – due after one year	**18,895,489**	38,529,229
	39,953,025	40,025,013



26. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

The details of the medium-term debentures and bonds issued and outstanding as at 30 June 2020 and 31 December 2019 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Nominal interest rate	Effective interest rate	Date of maturity
Unlisted					
Medium-term debentures A	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures B	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Medium-term debentures C	25 October 2016	1,000,000	3.87%	4.21%	16 October 2021
Medium-term debentures D	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures E	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	1,000,000	5.20%	5.55%	19 January 2022
Medium-term debentures H	2 March 2018	1,000,000	7.50%	7.85%	6 March 2021
Medium-term debentures I	18 April 2018	1,000,000	7.30%	7.65%	19 April 2021
Medium-term debentures J	20 April 2018	1,300,000	6.75%	7.09%	23 April 2021
Medium-term debentures K	25 April 2018	1,000,000	6.73%	7.07%	27 April 2021
Medium-term debentures L	26 April 2018	1,000,000	6.90%	7.24%	27 April 2021
Medium-term debentures M	24 May 2018	1,000,000	7.47%	7.82%	25 May 2021
Medium-term debentures N	13 August 2018	1,000,000	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	500,000	7.47%	7.75%	27 August 2021
Medium-term debentures P	12 July 2019	600,000	7.00%	7.24%	12 July 2022
Listed					
Enterprise bonds A	3 March 2014	1,149,960	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,056,362	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	214	6.26%	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	1,999,950	7.30%	4.33%	14 January 2021
Enterprise bonds E	14 January 2016	1,000,000	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	1,800,000	7.00%	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,198,240	6.70%	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	6.50%	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	500,000	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	2,000,000	6.30%	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	6.00%	6.22%	26 March 2024
Private placement enterprise bond B	15 July 2016	26,000	6.80%	6.75%	15 July 2021

26. MEDIUM-TERM DEBENTURES AND BONDS (CONTINUED)

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within one year	**21,057,536**	1,495,784
In the second to fifth year	**18,895,489**	38,529,229
	39,953,025	40,025,013

27. GUARANTEED NOTES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current liabilities	**3,514,105**	3,457,313

On 15 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 are guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will mature on 22 July 2022.

On 24 September 2019, the Company issued 7.375% guaranteed notes with the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,414,580,000) (the "2023 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2023 Guaranteed Notes will mature on 2 May 2023.

28. CONVERTIBLE BONDS

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

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

	Liability component of CBs RMB'000	**Derivatives component of CBs** RMB'000	**Total** RMB'000
As at 1 January 2019 (Audited)	1,012,052	415,195	1,427,247
Changes in fair values	–	(140,558)	(140,558)
Effective interest expenses	210,102	–	210,102
Interest paid	(86,755)	–	(86,755)
Exchange translation	15,156	5,300	20,456
As at 31 December 2019 (Audited)	1,150,555	279,937	1,430,492
Changes in fair values	**–**	**(94,262)**	**(94,262)**
Effective interest expenses	**116,164**	**–**	**116,164**
Interest paid	**(43,673)**	**–**	**(43,673)**
Exchange translation	**18,056**	**4,158**	**22,214**
As at 30 June 2020 (Unaudited)	**1,241,102**	**189,833**	**1,430,935**

On 25 January 2018, 70,544,156 ordinary shares of the Company were issued as a result of the conversion of CBs with principal amount of US$73,600,000. No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the six months ended 30 June 2020.

28. CONVERTIBLE BONDS (CONTINUED)

On 7 February 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$8.16 to HK$7.71 per share and on 12 June 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was further adjusted from HK$7.71 to HK$7.53 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

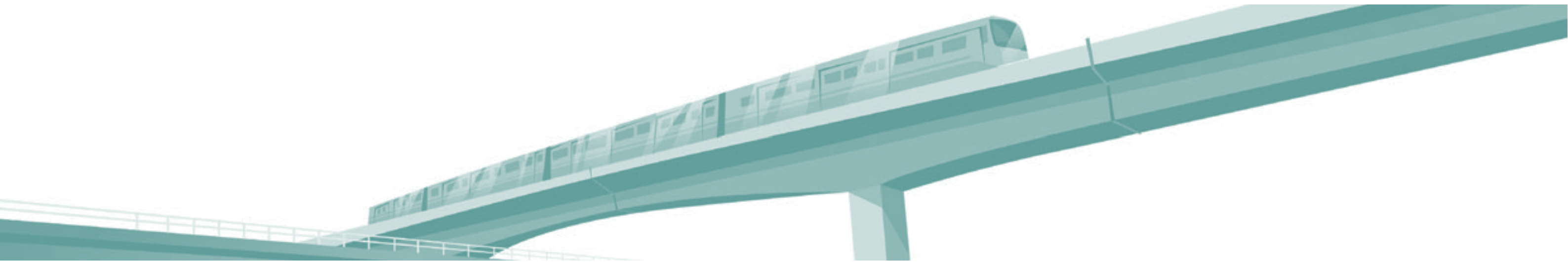
On 17 June 2019, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$7.53 to HK$7.21 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 15 June 2020, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$7.21 to HK$6.51 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 30 June 2020, the principal amount of the CBs that remained outstanding amounted to US$246,400,000 (31 December 2019: US$246,400,000) of which a maximum of 296,028,215 (31 December 2019: 267,287,611) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018, 13 July 2018, 17 June 2019 and 15 June 2020.

At 31 December 2019 and 30 June 2020, the fair values of the derivatives component was valued by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the Binomial model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	At 30 June 2020 (Unaudited)	At 31 December 2019 (Audited)
Share price	**HK$3.44**	HK$4.70
Conversion price	**HK$6.51**	HK$7.21
Expected volatility	**41.74%**	41.71%
Expected life	**2.41 years**	2.91 years
Risk free rate	**0.16%**	1.59%
Expected dividend yield	**9.43%**	4.98%



29. FINANCIAL ASSET AT AMORTISED COST

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Financial asset at amortised cost		
Collective investment trust (note)	**1,000,000**	–

Note: The collective investment trust represents asset income trust with 1,000,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. ("CITIC Trust")* 中信信托有限責任公司. The asset income trust carries fixed interest rate of 7.22% per annum and will be matured on 3 January 2022.

* The English name of the above company is for reference only.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Financial assets at FVTPL		
Collective investment trust	**–**	2,005

31. OTHER FINANCIAL ASSET/LIABILITIES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Other financial asset		
Capped forward contract	**1,742**	819
Other financial liabilities		
Interest rate swaps contracts	**12,319**	3,300

Major terms of the capped forward contract are as follows:

As at 30 June 2020 and 31 December 2019

Notional amount	**Maturity**	**Exchange rate**
US$10,000,000	20 July 2022	Buy US$/Sell RMB at 6.90 to 7.01

31. OTHER FINANCIAL ASSET/LIABILITIES (CONTINUED)

Major terms of the interest rate swaps are as follows:

As at 30 June 2020

Notional amount	Maturity	Swaps
US$14,000,000	9 April 2021	From 0.45% per annum to 1-Month US$-LIBOR
US$24,500,000	14 April 2021	From 0.52% per annum to 1-Month US$-LIBOR
US$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US$-LIBOR
US$20,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR
US$25,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR

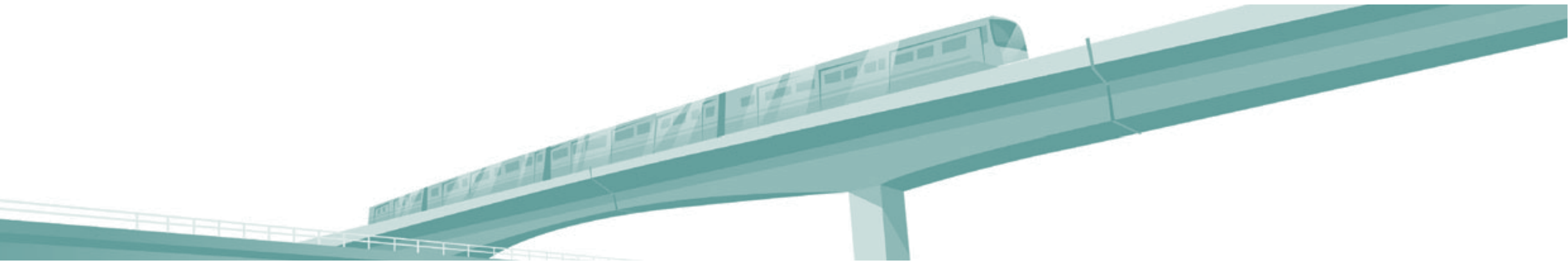
As at 31 December 2019

Notional amount	Maturity	Swaps
US$20,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR
US$25,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR

32. ISSUED CAPITAL

	Number of shares		Share Capital	
	30 June 2020	31 December 2019	**30 June 2020 US$**	31 December 2019 US$
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	30 June 2020	31 December 2019	**30 June 2020 US$**	31 December 2019 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**8,570,852,349**	8,570,852,349	**85,708,523**	85,708,523



32. ISSUED CAPITAL (CONTINUED)

	Number of shares	Share Capital
		RMB'000
Issued and fully paid:		
At 1 January 2019	8,675,394,849	566,172
Shares repurchased and cancelled	(104,542,500)	(7,082)
At 31 December 2019, 1 January 2020 and 30 June 2020	8,570,852,349	559,090

The Company does not have any share option scheme.

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

During the year ended 31 December 2019, the Company repurchased its own shares through the Stock Exchange as follows:

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid	Share cancelled date
		HK$	HK$	HK$	
14-Jan-19	620,000	4.80	4.79	2,975,000	25-Jan-19
16-Jan-19	2,406,500	5.05	4.95	12,072,000	25-Jan-19
17-Jan-19	1,880,000	5.07	5.05	9,511,000	25-Jan-19
18-Jan-19	1,060,000	5.05	5.04	5,352,000	25-Jan-19
25-Mar-19	8,000,000	5.65	5.39	44,837,000	9-Apr-19
26-Mar-19	8,375,000	5.71	5.62	47,444,000	9-Apr-19
27-Mar-19	6,174,000	5.77	5.61	35,271,000	9-Apr-19
28-Mar-19	10,150,000	5.89	5.78	59,551,000	9-Apr-19
29-Mar-19	9,150,000	5.92	5.74	53,809,000	9-Apr-19
9-Apr-19	4,500,000	6.53	6.20	28,798,000	24-Apr-19
10-Apr-19	4,150,000	6.68	6.49	27,357,000	24-Apr-19
11-Apr-19	8,500,000	6.75	6.61	57,154,000	24-Apr-19
12-Apr-19	7,000,000	6.76	6.57	46,800,000	24-Apr-19
22-May-19	6,423,000	5.50	5.21	34,977,000	3-Jun-19
23-May-19	10,189,000	5.56	5.34	55,917,000	3-Jun-19
24-May-19	3,798,000	5.54	5.49	20,894,000	3-Jun-19
27-May-19	7,517,500	5.51	5.34	41,137,000	19-Jun-19
29-May-19	4,649,500	5.57	5.40	25,589,000	19-Jun-19

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

33. 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 in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Weiqiao Chuangye Group Company Limited in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; and (v) share of capital reserve of an associate and a subsidiary from Shandong Innovation Carbon New Material Co., Ltd.* ("Innovation Carbon New Material") 山東創新炭材料有限公司 and Shandong Hongao Automobile Lightweight Technology Co., Ltd. ("Hongao Automobile Lightweight")* 山東宏奧汽車輕量化科技有限公司 respectively.

(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.

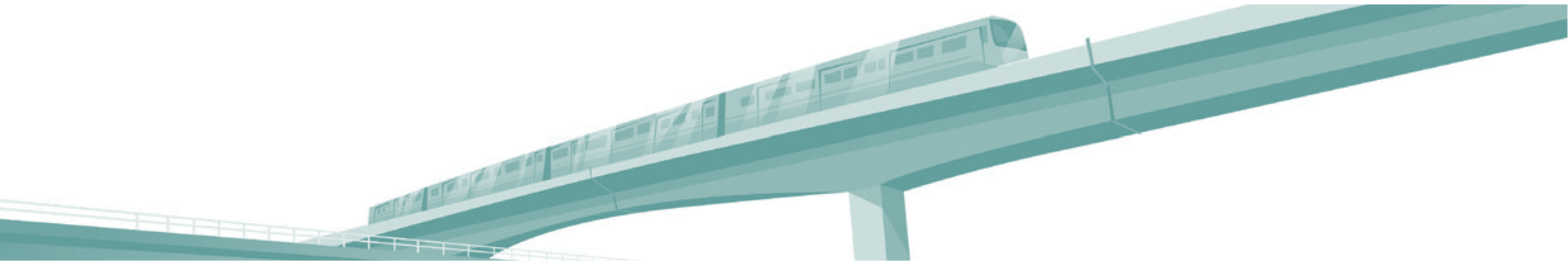
(c) Translation reserve

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.

* The English names of the above companies are for reference only



34. 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.

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2020 and 31 December 2019. The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

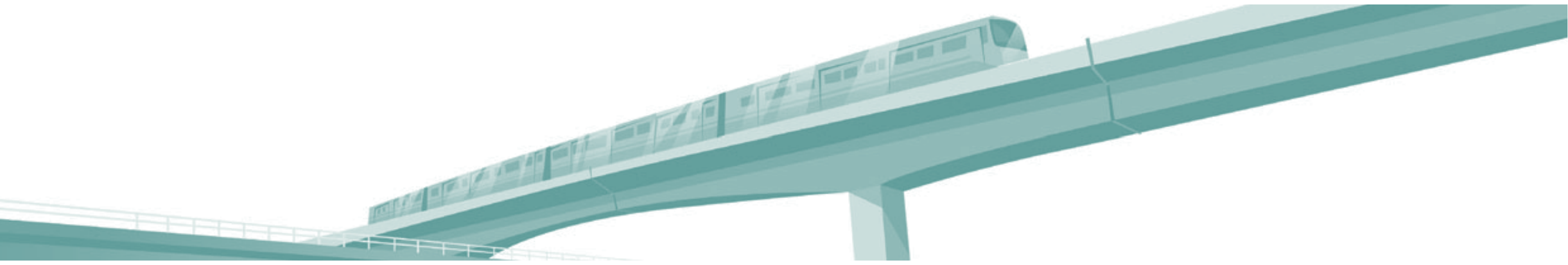
Financial instruments	**Fair value hierarchy**	**Fair value as at**		**Valuation technique and key inputs**
		30/6/2020 RMB'000 (Unaudited)	31/12/2019 RMB'000 (Audited)	
Financial asset at FVTPL	Level 3	**–**	2,005	Market multiples – Based on average P/E multiple peers and discount for lack of marketability
Financial asset at FVTOCI	Level 1	**230,692**	289,339	Quoted bid prices in an active market
Capped forward contract	Level 2	**1,742**	819	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)

34. FAIR VALUE DISCLOSURES (CONTINUED)

Financial instruments	Fair value hierarchy	Fair value as at 30/6/2020 RMB'000 (Unaudited)	Fair value as at 31/12/2019 RMB'000 (Audited)	Valuation technique and key inputs
Interest rate swaps contracts	Level 2	**12,319**	3,300	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties)
Redemption option derivative of convertible bonds	Level 3	**146,377**	128,516	Binomial option pricing model: Key inputs: risk free rate of 0.16% (31 December 2019: 1.59%), and effective interest rate of 7.65% (31 December 2019: 8.86%) and volatility of 41.74% (31 December 2019: 41.71%)
Conversion option derivative of convertible bonds	Level 3	**43,456**	151,421	Binomial option pricing model: Key inputs: risk free rate of 0.16% (31 December 2019: 1.59%), and effective interest rate of 7.65% (31 December 2019: 8.86%) and volatility of 41.74% (31 December 2019: 41.71%)

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.



35. ACQUISITION OF A SUBSIDIARY

On 31 March 2019, the Group acquired 100% of the equity interest in Hongbo Aluminum Industry Technology Company Limited* ("Hongbo Aluminum Industry") 濱州鴻博鋁業科技有限公司 from Boxing Ruifeng Aluminum Plate Company Limited* 博興縣瑞豐鋁板有限公司, an independent third party, for a consideration of approximately RMB147,666,000. Approximately RMB92,166,000 of the consideration has been paid during the year ended 31 December 2019. The remaining balance of RMB55,500,000 has been settled on 30 June 2020. This acquisition has been accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB3,282,000. Hongbo Aluminum Industry is engaged in the manufacture and sales of aluminum fabrication. Hongbo Aluminum Industry was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration of the acquisition:

	RMB'000
Cash consideration	147,666
Less: cash consideration paid	(147,666)
Consideration payable (included in other payables)	–

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

	RMB'000
Property, plant and equipment	421,600
Intangible assets	6
Inventories	245,658
Trade receivables	132,241
Bill receivables	7,715
Prepayments and other receivables	99,661
Cash and cash equivalents	8,766
Trade payables	(328,862)
Other payables and accruals	(435,745)
Income tax payable	(92)
	150,948

Acquisition-related costs amounting to RMB240,000 have been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2019, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

35. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Gain on bargain purchase:

	RMB'000
Consideration of the acquisition	147,666
Less: net assets acquired	(150,948)
Gain on bargain purchase	3,282

Net cash outflow arising on acquisition:

	As at 31 December 2019 RMB'000
Cash consideration	147,666
Less: cash and cash equivalent acquired	(8,766)
consideration payable	(55,500)
Net cash outflow on acquisition	83,400

Included in the profit for the year is approximately a loss of approximately RMB26,402,000, attributable to the additional business generated by Hongbo Aluminum Industry. Revenue for the year ended 31 December 2019 includes approximately RMB803,292,000 generated from Hongbo Aluminum Industry.

Had the acquisition been completed on 1 January 2019, total revenue of the Group for the year ended 31 December 2019 would have been approximately RMB84,495,325,000 and profit for the year would have been approximately RMB6,236,484,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

* The English name of the above companies are for reference only

36. 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 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Restricted bank deposits (note 20)	**1,502,395**	1,423,967
Property, plant and equipment (note 11)	**12,486,648**	11,121,259
Right-of-use assets (note 12)	**297,308**	300,980

37. COMMITMENTS

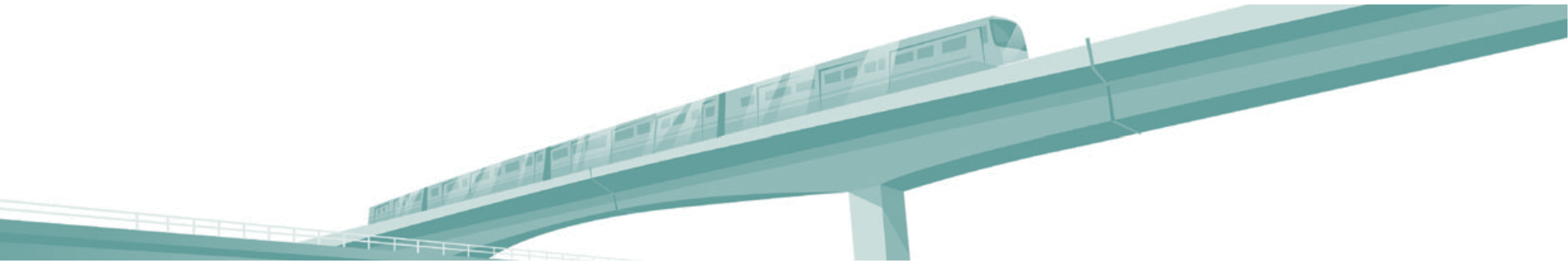
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**2,413,124**	2,292,296

38. 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 2020, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Shandong Weiqiao Chuangye Group Company Limited ("Weiqiao Chuangye"), 山東魏橋創業集團有限公司 (note i)	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
Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman") 凱斯曼秦皇島汽車零部件製造有限公司	note v
CITIC Trust	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank International ("CITIC Bank")	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank ("China CITIC Bank") 中信銀行股份有限公司	Controlled by CITIC Group Corporation (note ii)
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



38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the six months ended 30 June 2020, 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.	note iv
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
Innovation Carbon New Material	An associate of a wholly-owned subsidiary of the Company
Africa Bauxite Mining Company Ltd ("ABM")	An associate of a wholly-owned subsidiary of the Company
GTS Global Trading PTE Ltd ("GTS")	An associate of a wholly-owned subsidiary of the Company
Wining Alliance Ports SA ("WAP")	An associate of a wholly-owned subsidiary of the Company
Societe Miniere de Boke S.A ("SMB")	An associate of a wholly-owned subsidiary of the Company
Zouping Binneng Energy Technology Co., Ltd ("Binneng Energy") (note i)	An associate of a wholly-owned subsidiary of the Company

Notes:

i. The English names of the above companies are for reference only.

ii. CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 shares of the Company, representing 10.23% of the total issued shares of the Company, are both indirect subsidiaries of CITIC Group Corporation and therefore CITIC Group Corporation is a connected person of the Group.

iii. Mr. Zhang Bo, the director of the Company, has a significant non-controlling beneficial interest in Weiqiao Chuangye, and is also the director of Weiqiao Chuangye.

iv. Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Group.

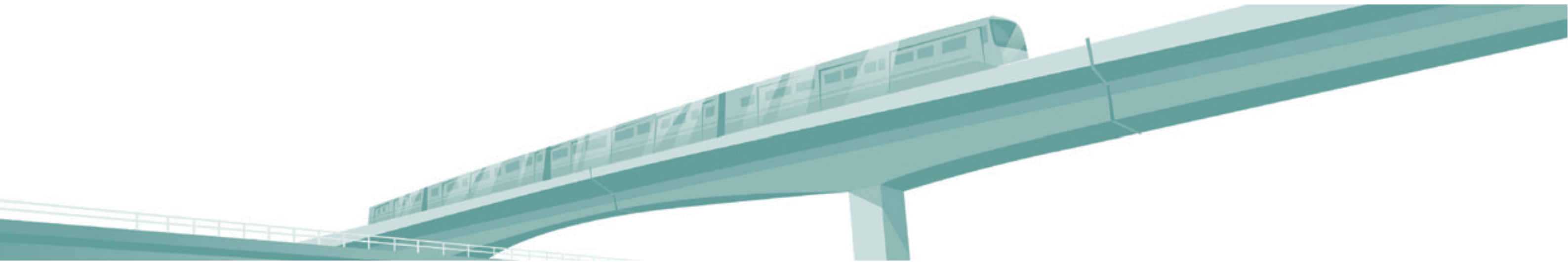
v. On 13 December 2019, CITIC Industrial Investment Ningbo Co., Ltd, an indirect wholly-owned subsidiary of CITIC Group Corporation, entered into a share transfer agreement with an independent third party to sell 57.89% equity interest in CITIC Dicastal Co., Ltd, an immediate holding company of Caseman. Since then, Caseman is no longer be the related party to the Group.

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the six months ended 30 June 2020, 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:

	Notes	Six months ended 30 June **2020** **RMB'000** **(Unaudited)**	 2019 RMB'000 (Unaudited)
Purchases of water			
– Jinsha Water Supply	(b)	**(11,780)**	(7,418)
– Weiqiao Chuangye	(b)	**(18,561)**	(20,000)
Industrial waste expenses			
– Beihai Solid Waste	(b)	**(51,371)**	(22,913)
Purchases of bauxite			
– GTS	(g)	**(4,439,334)**	(7,878,872)
– PT. Cita Mineral Investindo, Tbk.	(b)	**(120,684)**	–
Purchase of electricity			
– Binneng Energy	(g)	**(4,606,942)**	–
Purchase of anode carbon block			
– Innovation Carbon New Material	(g)	**(245,037)**	(79,047)
Sales of steam			
– Binzhou Industrial Park	(a)	**5,212**	8,208
– Ming Hong Textile	(a)	**1,771**	1,835
– Binzhou Investment	(a)	**15,179**	12,787
Sales of electricity			
– Innovation Carbon New Material	(g)	**–**	1,159
Sales of molten aluminum alloy			
– Caseman	(f)	**–**	1,347,470



38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the six months ended 30 June 2020, 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 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Legal and professional fee			
– Shandong Ruixin	(a)	**(2,387)**	(2,621)
Lease payment			
– Weiqiao Chuangye	(a), (c)	**(1,307)**	(1,301)
– Harita Jayaraya	(b), (d)	**(717)**	(616)
– PT. Antar Sarana Rekasa	(b), (e)	**(4,435)**	(1,457)
Bank interest income			
– China CITIC Bank	(a)	**212**	390
Interest income from an associate			
– Binneng Energy	(g)	**75,708**	–
Interest expenses on bank borrowings			
– CITIC Bank	(a)	**(19,544)**	(78,774)
– China CITIC Bank	(a)	**(168,236)**	(186,148)
Purchases of collective investment trust			
– CITIC Trust	(b)	**(1,000,000)**	–
Investment income			
– CITIC Trust	(b)	**33,484**	–

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the six months ended 30 June 2020, 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:

(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 2019, 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 30 June 2020, the carrying amount of such lease liabilities is approximately RMB43,490,000 (31 December 2019: RMB44,236,000).

(d) For the year ended 31 December 2019, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. As at 30 June 2020, the carrying amount of such lease liabilities is approximately RMB513,000 (31 December 2019: RMB1,124,000).

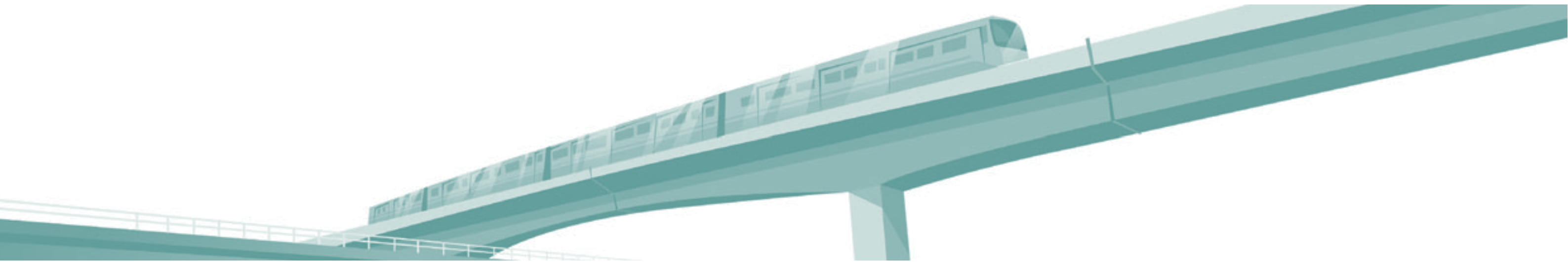
(e) For the year ended 31 December 2019, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. As at 30 June 2020, the carrying amount of such lease liabilities is approximately RMB12,394,000 (31 December 2019: RMB16,706,000).

(f) On 13 December 2019, CITIC Group Corporation's indirect wholly-owned subsidiaries CITIC Industrial and Industrial Ningbo entered into the Share Transfer Agreement and agreed to sell CITIC Dicastal, an immediate holding company of Caseman. Caseman is no longer be the related party to the Group.

(g) The related party transactions in respect of (g) above do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Bank balances		
– CITIC Bank (note i)	**20,557**	194,744
– China CITIC Bank (note ii)	**536,284**	95,075
Bank borrowings		
– CITIC Bank (notes iii and v)	**(743,348)**	(732,501)
– China CITIC Bank (notes iv and v)	**(6,321,208)**	(6,435,000)



38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the six months ended 30 June 2020, 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: (Continued)

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Loans to associates		
– ABM	**778,745**	767,382
– Binneng Energy	**2,000,000**	2,000,000
Trade payables		
– GTS	**(679,630)**	(127,236)
– Innovation Carbon New Material	**(159,811)**	(76,031)
– Jinsha Water Supply	**(3,885)**	(2,624)
– Weiqiao Chuangye	**(15,956)**	(11,292)
– PT. Cita Mineral Investindo, Tbk.	**(41,112)**	(38,942)
Trade receivables		
– Binzhou Investment	**247**	–
– Ming Hong Textile	**62**	114
Receivables from financial institution		
– CITIC Trust	**–**	1,000,000
Financial asset at FVTPL		
– CITIC Trust	**–**	2,005
Financial asset at amortised cost		
– CITIC Trust	**1,000,000**	–
Prepayment		
– Binneng Energy	**3,232,612**	2,438,457

38. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the six months ended 30 June 2020, 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: (Continued)

Notes:

i. The bank balances of CITIC Bank were interest-free.

ii. The bank balances of China CITIC Bank were interest bearing at normal interest rate of 0.3% per annum (31 December 2019: 0.3% per annum).

iii. The bank borrowings of CITIC Bank were interest bearing at normal interest rates range from 5.11% to 5.17% per annum (31 December 2019: 5.9% to 6.5% per annum).

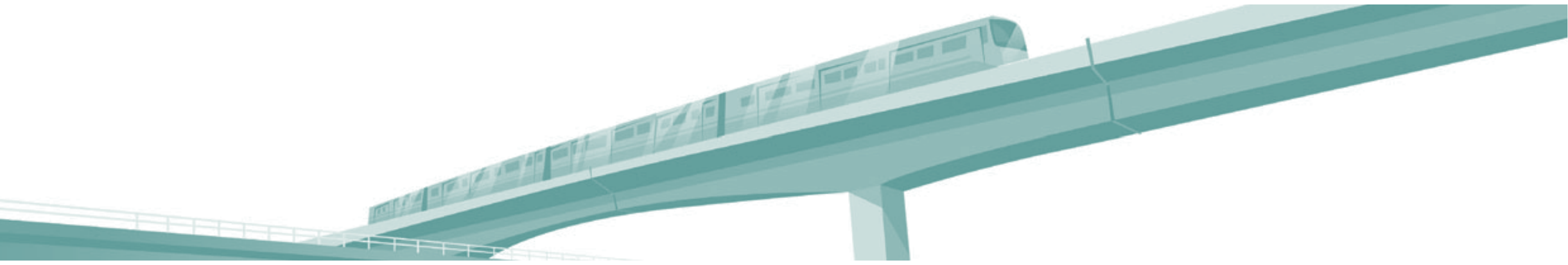
iv. The bank borrowings of China CITIC Bank was interest bearing at normal interest rate ranged from 2.05% to 5.23% per annum (31 December 2019: 4.32% to 5.25% per annum).

v. The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are fully exempt from the disclosure requirements in Chapter 14A.90 of the Listing Rules as the transaction terms are in normal commercial terms and are not secured by assets of the Group.

(b) Compensation of key management personnel

Key management personnel including directors and senior staff management of the Company.

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefit	**2,069**	2,728
Retirement benefits scheme contributions	**11**	32
	2,080	2,760



38. 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:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Weiqiao Chuangye	**299,000**	299,000

39. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2020, the Group incorporated an indirect non-wholly owned subsidiary, Hongao Automobile Lightweight, with an independent third party. The non-controlling interest made that a non-cash consideration of approximately RMB6,100,000 which represented intangible assets and the Group recognised capital reserve of RMB70,000 and non-controlling interests of RMB6,030,000.

During the six months ended 30 June 2020, the Group purchased a collective investment trust which issued by CITIC Trust at a consideration of RMB1,000,000,000. The consideration was settled from the receivables from financial institution which was included in prepayment and other receivables as at 31 December 2019.

信永中和
ShineWing

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

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

OPINION

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

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

TRANSACTIONS WITH RELATED PARTIES AND DISCLOSURE

Refer to note 55 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group had significant amount of transactions with related parties in both trade and non-trade nature. We have identified this as a key audit matter because it is essential to monitor these transactions closely. It is also essential to disclose all these transactions properly in accordance with the requirements of relevant accounting standards and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.	Our procedures were designed to verify and identify material related party relationship through enquiry and searches. We have also scrutinised the accounting ledgers and bank ledgers to ensure material transactions with related parties are properly reflected in the Group's accounting records. We have also carried out various analysis and market comparisons to assess the reasonableness of these transactions.

KEY AUDIT MATTERS (Continued)

ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 26 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amount of the inventories was approximately RMB21,846,922,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the current assets and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2019. We have reviewed the utilisation of inventories and sales contracts awarded and entered into between the Group and the customers. We have also reviewed the subsequent selling prices of the inventories as at 31 December 2019 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

IMPAIRMENT ASSESSMENT OF GOODWILL

Refer to note 24 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the carrying amount of goodwill amounted to approximately RMB608,818,000. No impairment loss on goodwill was recognised for the year ended 31 December 2019. Management's assessment on impairment of goodwill is a judgemental process which requires estimates concerning the forecast future cash flows associated with the relevant cash-generating units, the discount rates and the growth rate of revenue and costs to be applied in determining the value-in-use and fair value less costs of disposal. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact. The extent of judgement and the size of the goodwill resulted in this matter being identified as a key audit matter.	In order to address this matter in our audit, we obtained management's impairment assessment and valuation report prepared by their valuation specialist and challenged the reasonableness of the selection of valuation models, adoption of key assumptions and input data and changes in adoption of key assumptions and input data. In particular, we reviewed the future cash flow forecast prepared by management on whether it is agreed to the budget approved by the board of directors of the Company and compared the budget with actual results available up to the report date. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations. We also challenged the discount rates employed in the calculation of value-in-use by reviewing its basis of calculation and comparing its input data to market sources.

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 17 to the consolidated financial statements.

The key audit matter

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

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

How the matter was addressed in our audit

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

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

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

IMPAIRMENT ASSESSMENT OF INTEREST IN AN ASSOCIATE

Refer to note 22 to the consolidated financial statements.

The key audit matter

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

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

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

How the matter was addressed in our audit

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

KEY AUDIT MATTERS (Continued)

IMPAIRMENT ASSESSMENT OF LOAN TO AN ASSOCIATE

Refer to note 23 to the consolidated financial statements.

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

* The English translation is for reference only

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**71,019,374**	76,361,390
Right-of-use assets	18	**5,152,415**	–
Intangible assets	19	**24,884**	22,673
Prepaid lease payments	20	**–**	4,915,054
Investment properties	21	**–**	143,606
Deposits paid for acquisition of property, plant and equipment		**513,617**	206,324
Deferred tax assets	43	**2,084,454**	1,865,927
Interests in associates	22	**4,723,329**	1,895,401
Loan to an associate	23	**2,000,000**	–
Goodwill	24	**608,818**	608,818
Financial assets at fair value through other comprehensive income	25	**289,339**	908,170
		86,416,230	86,927,363
CURRENT ASSETS			
Prepaid lease payments	20	**–**	132,414
Inventories	26	**21,846,922**	19,805,561
Trade receivables	27	**10,311,326**	6,750,578
Bills receivables	28	**11,139,775**	11,726,626
Prepayments and other receivables	29	**6,075,312**	4,747,463
Financial assets at fair value through profit or loss	30	**2,005**	–
Other financial asset	31	**819**	–
Restricted bank deposits	32	**1,423,967**	1,256,474
Cash and cash equivalents	32	**41,857,116**	45,380,413
		92,657,242	89,799,529
Non-current assets classified as held for sale	33	**530,973**	–
		93,188,215	89,799,529
CURRENT LIABILITIES			
Trade and bills payables	35	**18,215,656**	16,661,437
Other payables and accruals	36	**13,379,843**	11,840,680
Bank borrowings – due within one year	37	**29,054,849**	18,933,735
Other borrowing – due within one year	38	**1,391,446**	–
Other financial liabilities	31	**3,300**	–
Lease liabilities	18	**28,874**	–
Income tax payable		**1,727,235**	1,460,994
Short-term debentures and notes	39	**–**	4,000,000
Medium-term debentures and bonds – due within one year	40	**1,495,784**	1,752,756
Guaranteed notes	41	**–**	3,078,664
Deferred income	44	**22,330**	19,450
		65,319,317	57,747,716
NET CURRENT ASSETS		**27,868,898**	32,051,813
TOTAL ASSETS LESS CURRENT LIABILITIES		**114,285,128**	118,979,176

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	37	**3,519,628**	11,263,803
Other borrowing – due after one year	38	**–**	1,366,569
Lease liabilities	18	**61,859**	–
Liability component of convertible bonds	42	**1,150,555**	1,012,052
Derivatives component of convertible bonds	42	**279,937**	415,195
Deferred tax liabilities	43	**721,545**	670,982
Medium-term debentures and bonds – due after one year	40	**38,529,229**	41,077,258
Guaranteed notes	41	**3,457,313**	–
Deferred income	44	**549,086**	553,820
		48,269,152	56,359,679
NET ASSETS		**66,015,976**	62,619,497
CAPITAL AND RESERVES			
Share capital	45	**559,090**	566,172
Reserves	46	**62,605,028**	59,399,189
Equity attributable to owners of the Company		**63,164,118**	59,965,361
Non-controlling interests		**2,851,858**	2,654,136
TOTAL EQUITY		**66,015,976**	62,619,497

The consolidated financial statements on pages 72 to 198 were approved and authorised recognised for issue by the board of directors on 20 March 2020 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 2019

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 46(d))	Capital reserve RMB'000 (Note 46(a))	Translation reserve RMB'000 (Note 46(c))	Statutory surplus reserve RMB'000 (Note 46(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	566,172	19,829,421	(67,936)	783,942	223,665	7,204,845	31,425,252	59,965,361	2,654,136	62,619,497
Profit for the year	-	-	-	-	-	-	6,095,335	6,095,335	359,808	6,455,143
Other comprehensive (expense) income for the year:										
Fair value loss on equity instruments at fair value through other comprehensive income	-	-	(618,831)	-	-	-	-	(618,831)	-	(618,831)
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	32,524	-	-	32,524	22,574	55,098
Share of other comprehensive income of associates	-	-	-	-	16,836	-	-	16,836	-	16,836
Total comprehensive (expense) income	-	-	(618,831)	-	49,360	-	6,095,335	5,525,864	382,382	5,908,246
Capital contribution	-	-	-	-	-	-	-	-	10,000	10,000
Change in ownership in interest in subsidiaries (note 51)	-	-	-	5,375	-	-	-	5,375	(81,345)	(75,970)
Shares repurchased and cancelled (note 45)	(7,082)	(517,769)	-	-	-	-	-	(524,851)	-	(524,851)
Transfer of reserves	-	-	-	-	-	1,009,366	(1,009,366)	-	-	-
Dividend paid (note 15)	-	-	-	-	-	-	(1,807,631)	(1,807,631)	(113,315)	(1,920,946)
	(7,082)	(517,769)	-	5,375	-	1,009,366	(2,816,997)	(2,327,107)	(184,660)	(2,511,767)
At 31 December 2019	559,090	19,311,652	(686,767)	789,317	273,025	8,214,211	34,703,590	63,164,118	2,851,858	66,015,976

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2019

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**8,771,067**	8,335,692
Adjustments for:		
Interest income	**(422,460)**	(750,630)
Finance costs	**5,219,595**	4,433,389
Share of profits of associates	**(509,345)**	(429,545)
Depreciation of property, plant and equipment	**7,218,007**	7,168,500
Depreciation of investment properties	**1,121**	7,325
Depreciation of right-of-use assets	**190,791**	–
Gain on disposal of property, plant and equipment	**(21,631)**	(7,292)
Gain on disposal of investment properties	**(379,542)**	–
Gain on fair values changes of financial instruments	**(138,077)**	(397,683)
Gain on bargain purchase	**(3,282)**	–
Amortisation of prepaid lease payments	**–**	167,827
Amortisation of intangible assets	**3,789**	2,924
Amortisation of deferred income	**(22,746)**	(17,920)
Reversal of impairment of property, plant and equipment	**(968,480)**	–
Reversal of impairment of inventories	**(69,366)**	(62,370)
Reversal of impairment of other receivables	**(13,335)**	–
Impairment loss recognised in respect of inventories	**94,400**	36,524
Impairment loss recognised in respect of trade receivables	**276**	–
Impairment loss recognised in respect of other receivables	**15,577**	13,447
Impairment loss recognised in respect of goodwill	**–**	656,945
Impairment loss recognised in respect of property, plant and equipment	**1,727,404**	–
Impairment loss recognised in respect of right-of-use assets	**3,449**	–
Write-off of property, plant and equipment	**292,479**	–
Write-off of inventories	**33,213**	–
Loss on disposal of a subsidiary	**–**	648,772
Operating cash flows before movements in working capital	**21,022,904**	19,805,905
Increase in inventories	**(1,833,787)**	(4,085,504)
Increase in trade receivables	**(3,427,340)**	(4,531,192)
Decrease in bills receivables	**594,566**	185,853
Increase in prepayments and other receivables	**(1,479,636)**	(728,401)
Increase in trade and bills payables	**1,224,219**	599,345
Increase in other payables and accruals	**659,359**	281,319
Cash generated from operations	**16,760,285**	11,527,325
Income tax paid	**(2,218,823)**	(2,167,362)
NET CASH FROM OPERATING ACTIVITIES	**14,541,462**	9,359,963

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Advance to an associate	**(2,000,000)**	–
Purchase of financial assets at FVTPL	**(1,100,000)**	–
Proceeds from disposal of financial assets at FVTPL	**100,000**	–
Purchase of financial assets at FVTOCI	**–**	(976,106)
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	**(3,228,462)**	(4,168,941)
Placement of restricted bank deposits	**(1,415,257)**	(3,250,738)
Net cash outflow arising on acquisition of a subsidiary	**(83,400)**	–
Net cash inflow arising on disposal of a subsidiary	**–**	1,474,000
Addition to prepaid land lease payments and deposits for acquisition of land	**–**	(1,306,262)
Proceeds from disposal of property, plant and equipment	**362,022**	170,984
Proceeds from disposal of investment properties	**462,321**	–
Payments for right-of-use assets	**(125,683)**	–
Proceed from prior year disposal of a subsidiary	**1,475,000**	–
Purchase of intangible assets	**(5,994)**	(11,625)
Interest received	**359,103**	691,914
Withdrawal of restricted bank deposits	**1,247,764**	3,256,853
Repayment from a supplier	**–**	9,950,000
Proceeds from termination of derivatives	**–**	57
Proceeds from disposal of financial assets at FVTPL	**–**	6,000
Addition of subsidiary	**–**	(284,407)
Addition of associates	**(2,310,121)**	(102,913)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(6,262,707)**	5,448,816

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**22,908,164**	23,822,331
Proceeds from other borrowing	**–**	1,366,569
Proceeds from issuance of short-term debentures and notes	**–**	4,000,000
Proceeds from issue of shares	**–**	5,120,981
Proceeds from issuance of medium-term debentures and bonds	**2,600,000**	7,800,000
Proceeds from guaranteed notes	**3,474,890**	2,865,150
Receipt of government grants	**20,892**	287,598
Transaction costs attributable to issue of new shares	**–**	(60,822)
Transaction costs on issuance of medium-term debentures and bonds	**(29,000)**	(89,768)
Transaction costs on issuance of short-term debentures and notes	**–**	(46,035)
Transaction costs on issue of guaranteed notes	**(46,568)**	(30,793)
Payment on repurchase of shares	**(524,851)**	(610,938)
Payment of lease liabilities	**(26,192)**	–
Repayment of guaranteed notes	**(3,076,901)**	(1,845,079)
Interest expense paid	**(4,779,292)**	(3,919,599)
Repayment of short-term debentures and notes	**(4,000,000)**	(3,000,000)
Repayment of bank borrowings	**(20,566,105)**	(13,751,924)
Repayment of medium-term debentures and bonds	**(5,783,636)**	(8,442,000)
Acquisition of additional interests in subsidiaries	**(75,970)**	–
Contribution from non-controlling interests	**10,000**	–
Dividends paid	**(1,920,945)**	(4,862,825)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(11,815,514)**	8,602,846
NET (DECTEASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(3,536,759)**	23,411,625
Effect of changes in foreign exchange rates	**13,462**	20,849
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**45,380,413**	21,947,939
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
represented by bank balances and cash	**41,857,116**	45,380,413

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 60.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Merger accounting for business combination involving entities under common control

On 22 January 2018, Shandong Hongqiao New Material Co., Ltd* ("Shandong Hongqiao"), 山東宏橋新型材料有限公司, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Shandong Weiqiao Chuangye Group Company Limited ("Weiqiao Chuangye"), 山東魏橋創業集團有限公司, for the purchase of 55% equity interest in Chongqing Weiqiao Financial Factoring Co., Ltd.* ("Chongqing Weiqiao"), 重慶魏橋金融保理有限公司, at a cash consideration of approximately RMB284,407,000. The acquisition was completed on 25 January 2018, and Chongqing Weiqiao has become a subsidiary of the Group since then. As Weiqiao Chuangye and the Company are ultimately controlled by Mr. Zhang Shiping, the acquisition of Chongqing Weiqiao was regarded as business combination under common control.

The net assets of the combining entity or business are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share/registered capital of the combining entity or business against the related investment costs have been made to capital reserve in the consolidated statement of changes in equity.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, consolidated statement of changes in equity and the consolidated statement of cash flows for the prior periods have been restated to include the operating results of Chongqing Weiqiao as if this acquisition had been completed on 1 January 2017.

* The English translation is for reference only

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

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

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

The adoption of IFRS 16 *Leases* resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of other 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 the consolidated financial statements.

3.1 Impacts on adoption of IFRS 16 *Leases*

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied IFRS 16 modified retrospectively and has not been restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 17 *Leases*.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC-Int 4 *Determining Whether an Arrangement of Contracts a Lease* were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

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

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

The Group as lessee

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

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

The Group as lessor

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

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

	Notes	Carrying amount previously reported at 31 December 2018 RMB'000	Impact on adoption of IFRS 16 RMB'000	**Carrying amount as restated at 1 January 2019 RMB'000**
Right-of-use assets	(a),(b)	–	5,102,032	**5,102,032**
Prepaid lease payments	(b)	5,047,468	(5,047,468)	**–**
Lease liabilities	(a)	–	(54,564)	**(54,564)**

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liabilities of approximately RMB54,564,000.

(b) Prepaid lease payments of approximately RMB5,047,468,000 which represent the prepayment of rentals for land use rights in the PRC and Indonesia were adjusted to right-of-use assets.

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

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

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

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	78,616
Discounted using the incremental borrowing rate at 1 January 2019	(24,052)
	54,564
Analysed as	
Current portion	4,815
Non-current portion	49,749
	54,564

On the date of initial application of IFRS 16, the Group has used the following practical expedients permitted by the standard:

- reliance on assessments on whether leases are onerous by applying IAS 37 immediately before the date of initial application as an alternative to performing an impairment review;

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

New and amendments to IFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

Amendments to IFRS 3 Definition of a Business

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

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

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

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

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

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, other Standards and the Conceptual Framework were that contain a definition of material or refer to the term 'material' were amended to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- 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 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 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 gain on bargain purchase.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving entities under common control

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

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

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

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

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

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

Goodwill

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

Interests in associates

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates (Continued)

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

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

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

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or disposal group must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

Contract liabilities

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

The Group recognised revenue from the following major sources:

- sales of aluminum products

- steam supply income

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Accounting policy applicable on or after 1 January 2019

Definition of a lease

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

The Group as lessee

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

Lease liabilities

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

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

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

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

Right-of-use assets

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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

The Group as lessee (Continued)

Lease modification

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

The Group as lessor

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

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

Accounting policy applicable prior to 1 January 2019

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

The Group as lessor

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

The Group as lessee

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Accounting policy applicable prior to 1 January 2019 (Continued)

Leasehold land and building

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

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

Foreign currencies

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

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

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

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

Retirement benefits costs and termination benefits

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

Short-term and other long-term employee benefits

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Property, plant and equipment

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

Ownership interests in leasehold land and buildings

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

Investment properties

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

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

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

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fiar 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 as 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 (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

4. 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 measured on the same basis as intangible assets acquired separately.

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

Intangible asset acquired in a business combination

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Cash and cash equivalents

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

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

Investments in subsidiaries

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

Financial instruments

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

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

Financial assets

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 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 8).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments as at FVTOCI

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

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

Financial assets at FVTPL

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

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

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

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

A financial asset is held for trading if:

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

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

- it is a derivative.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

The Group always recognises lifetime ECL for trade receivables and other 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 bills receivables, restricted bank deposits and cash and cash equivalents, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- 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.

4. SIGNIFICANT ACCOUNTING POLICIES (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 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial 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 financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

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

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

Write-off policy

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, taking into account legal advice where appropriate. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

Financial liabilities subsequently measured at amortised cost

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities (Continued)

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.

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 loan bonds notes 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 tangible assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

If the recoverable amount of an asset (or a 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. 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgements in applying accounting policies

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

Ownership of the land and buildings

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

Controls in subsidiaries

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

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

Withholding tax provision on profit appropriation

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

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

Critical judgements in applying accounting policies (Continued)

Related party transactions

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

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

Key sources of estimation uncertainty

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

Impairment of goodwill

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

Deferred tax assets

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

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

Key sources of estimation uncertainty (Continued)

PRC Corporate Income Tax ("PRC CIT")

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

Carrying amount of property, plant and equipment

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately RMB71,019,374,000 (2018: RMB76,361,390,000), net of accumulated impairment of property, plant and equipment of approximately RMB5,587,687,000 (2018: RMB4,828,763,000) and identify if there is indication that those assets many suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value-in-use. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact.

Based on the directors' assessment of recoverable amount of each CGU and with reference to fair values of certain property, plant and equipment assessed by independent valuer, impairment loss on property, plant and equipment of approximately RMB1,727,404,000 (2018: nil), write-off of property, plant and equipment of approximately RMB292,479,000 (2018: nil) and reversal of impairment of property, plant and equipment of approximately RMB968,480,000 (2018: nil) was recognised for the year ended 31 December 2019.

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 with finite useful life. 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 with finite useful life as at 31 December 2019 are RMB71,019,374,000 (2018: RMB76,361,390,000).

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

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical 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 2019, the carrying amount of trade receivables was approximately RMB10,311,326,000 (2018: RMB 6,750,578,000), net of allowance for impairment loss of approximately RMB7,001,000 (2018: RMB6,725,000).

Impairment assessment of interest in an associate

The carrying amount of the interest in an associate is tested for impairment as a single asset. Determining whether interest in an associate is impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in the 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 2019, the carrying amount of interest in an associate was RMB2,204,748,000 (2018: nil). No impairment loss has been been recognised in profit or loss during the years ended 31 December 2019.

Impairment assessment of a loan to an associate

The impairment assessment of a loan to an associate is based on (i) assumptions used in ECL and (ii) the net realisable value of the underlying collateral received. The management uses judgement in making assumptions and selecting the inputs to the ECL calculation including the associates historical credit loss experience and forward-looking information at the end of the reporting period. Changes in assumption and selection of data inputs by result in significant change in carrying amount of the loan to associate. As at 31 December 2019, the carrying amount of loan to an associate amounted to RMB2,000,000,000 (2018: nil). No impairment loss has been recognised in profit or loss during the years ended 31 December 2019.

Estimated allowance on inventories

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on subsequent sales, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2019, the carrying amount of inventories and accumulated allowance for inventories was approximately RMB21,846,922,000, net of allowance of impairment loss of RMB110,580,000 (2018: RMB85,546,000) and the write-off of inventories of approximately RMB33,213,000 (2018: nil) has been recognised in profit or loss during the year ended 31 December 2019.

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

Key sources of estimation uncertainty (Continued)

Fair value of derivatives component of convertible bonds

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

6. REVENUE

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

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

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

	2019 **RMB'000**	2018 RMB'000
Geographical region		
The PRC	**80,224,507**	87,199,649
India	**1,102,616**	785,959
Europe	**369,731**	1,227,826
Malaysia	**1,334,050**	516,139
Others	**1,148,384**	465,351
Total	**84,179,288**	90,194,924
Type of customers		
Government related	**2,341**	2,693
Non-government related	**84,176,947**	90,192,231
Total	**84,179,288**	90,194,924
Sales channels		
Direct sales	**84,179,288**	90,194,924

The revenue for the years ended 31 December 2019 and 2018 are revenue from contracts with customers within the scope of IFRS 15.

7. SEGMENT INFORMATION

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

Geographic information

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

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

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

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

Information about major customers

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

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

8. OTHER INCOME AND GAINS

	2019 RMB'000	2018 RMB'000
Bank interest income	**122,338**	113,424
Other interest income	**176,144**	72,405
Investment income	**2,026**	–
Loan receivables interest income	**–**	506,085
Interest income from an associate	**62,000**	–
Imputed interest on receivables arising from disposal of a subsidiary (note 50)	**57,926**	58,716
Gain from sales of raw materials and scraps materials	**430,739**	247,614
Gain from sales of slag of carbon anode blocks	**701,401**	899,878
Gain on bargain purchase (note 49)	**3,282**	–
Gain on disposal of property, plant and equipment	**21,631**	7,292
Gain on disposal of investment properties	**379,542**	–
Reversal of impairment of property, plant and equipment (note (i))	**968,480**	–
Reversal of impairment of inventories	**69,366**	62,370
Reversal of impairment of trade receivables	**–**	9,047
Reversal of impairment of other receivables	**13,335**	–
Amortisation of deferred income (note 44)	**22,746**	17,920
Value-added tax ("VAT") income (note (ii))	**2,053**	15,303
Rental income for investment properties under operating lease that lease payments are fixed	**6,207**	15,976
Others	**101,301**	109,366
	3,140,517	2,135,396

Notes:

(i) During the year ended 31 December 2019, due to the relocation of production capacities programme, certain of previous impaired property, plant and equipment resumed its production and certain property, plant and equipment previously impaired will be sold within twelve months from the end of the current period, the directors of the Company conducted a review of the related property, plant and equipment and determined that a reversal of provision for impairment loss of approximately RMB968,480,000 (2018: nil) on relevant property, plant and equipment was recognised. The recoverable amounts of the assets are either their fair values less costs of disposals or value-in-use. Details of the directors' review are set out in note 9.

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

9. OTHER EXPENSES

	2019 RMB'000	2018 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note (i))	**1,727,404**	–
Impairment loss recognised in respect of right-of-use assets	**3,449**	–
Impairment loss recognised in respect of goodwill	**–**	656,945
Impairment loss recognised in respect of other receivables	**15,577**	13,447
Impairment loss recognised in respect of trade receivables	**276**	–
Write-down of inventories to net realisable value	**94,400**	36,524
Write-off of property, plant and equipment (note (ii))	**292,479**	–
Write-off of inventories (note (ii))	**33,213**	–
	2,166,798	706,916

Notes:

(i) During the year ended 31 December 2019, due to (i) the relocation of production capacities programme and the coal consumption reduction alternative work programme introduced by the relevant governmental authorities; and (ii) the serious typhoon happened in the PRC, the directors of the Company have suspended certain property, plant and equipment and conducted a review of the Group's property, plant and equipment and determined that a number of those assets were impaired. Accordingly, impairment loss of RMB1,727,404,000 (2018: nil) have been recognised in respect of the Group's property, plant and equipment.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using zero growth rate until the end of the expected useful lives of relevant plants and machineries. Other key assumptions applied in the impairment tests include the expected product price, demand for the products, product cost and related expenses. Management determined these key assumptions based on past performance and their expectations on market development. Further, the Group adopts a pre-tax rate of ranging from 12.7% to 14.0% that reflects specific risks related to the CGUs as discount rates. The assumptions above are used in analysing the recoverable amounts of the CGUs within operating segments. Market comparable approach is used to measure fair value less costs of disposal. The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy.

The valuation carried out on 31 December 2019 was performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations.

(ii) During the year ended 31 December 2019, due to the serious typhoon happened in the PRC, certain property, plant and equipment and inventory have been damaged. The directors of the Company conducted a review of the Group's property, plant and equipment and inventory and determined that a number of those assets with carrying amounts of approximately RMB445,584,000 (2018: nil) were written-off. After net-off by insurance claims of approximately RMB153,105,000 (2018: nil), the net loss on written-off of property, plant and equipment of approximately RMB292,479,000 (2018: nil) and loss on write-off of inventories of approximately RMB33,213,000 (2018: nil) have been recognised.

* The English translation is for reference only

10. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest expenses on bank borrowings	**1,872,047**	1,434,011
Interest expenses on other borrowing	**102,833**	43,025
Interest expenses on short-term debentures and notes	**46,900**	215,455
Interest expenses on medium-term debentures and bonds	**2,883,997**	2,357,323
Interest expenses on guaranteed notes	**100,235**	190,565
Interest expenses on convertible bonds	**210,102**	193,010
Interest expenses on lease liabilities	**3,481**	–
	5,219,595	4,433,389

11. INCOME TAX EXPENSES

	2019 RMB'000	2018 RMB'000
Current tax:		
– Hong Kong Profits Tax	**–**	31,623
– PRC Enterprise Income Tax ("EIT")	**2,325,832**	2,154,684
– Indonesia Corporate Tax	**139,426**	278,619
– Withholding tax paid	**9,391**	–
Under provision in prior year		
– Hong Kong Profits Tax	**9,239**	–
	2,483,888	2,464,926
Deferred taxation (note 43)	**(167,964)**	84,514
Total income tax expenses for the year	**2,315,924**	2,549,440

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. For the year ended 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. No provision for Hong Kong Profits Tax was made for the year ended 31 December 2019 as there were no assessable profits generated during the year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. During the years ended 31 December 2019 and 2018, two PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" and complied the requirements of tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2018: 15%).

11. INCOME TAX EXPENSES (Continued)

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

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

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

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax. The PRC dividend withholding tax rate was changed from 5% to 10% due to the applicability of the Sino-Hong Kong tax treaty during the year ended 31 December 2015. An amount of deferred tax liability of approximately RMB78,605,000 (2018: RMB182,433,000) is recognised in respect of the PRC subsidiaries' undistributed profits.

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

	2019 **RMB'000**	2018 RMB'000
Profit before taxation	**8,771,067**	8,335,692
Tax at the domestic income tax rate of 25% (note i)	**2,192,767**	2,083,923
Tax effect of income not taxable for tax purpose	**(90,833)**	(198,191)
Tax effect of expenses not deductible for tax purpose	**118,807**	138,712
Tax effect of tax losses not recognised	**374,303**	717,462
Utilisation of tax losses previously not recognised	**(86,928)**	(95,613)
Under-provision in respect of prior years	**9,239**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**501**	(27,817)
Effect of income tax on concessionary rate	**(12,545)**	(1,251)
Effect of two-tiered profits tax rates regime	**–**	(139)
Tax effect of share of profits of associates	**(127,336)**	(107,386)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	**78,605**	182,433
Withholding tax paid	**9,391**	–
Tax effect of tax exemption (note ii)	**–**	(34)
Tax effect of super deduction from research and development expenses	**(150,047)**	(142,659)
Income tax expenses for the year	**2,315,924**	2,549,440

11. INCOME TAX EXPENSES (Continued)

Notes:

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

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

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

12. PROFIT FOR THE YEAR

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

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Executive directors				Non-executive directors			Independent non-executive directors			
	Zhang Shiping ("Mr Zhang") [1] RMB'000	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong (Zhang Hao as his alternate) RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2019											
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings											
Fees	625	500	800	500	600	300	300	200	200	200	4,225
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings											
Other emoluments											
– Salaries and allowances	35	48	136	83	99	-	-	-	-	-	401
– Retirement benefit scheme contributions	-	-	14	13	13	-	-	-	-	-	40
	660	548	950	596	712	300	300	200	200	200	4,666

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

	Executive directors				Non-executive directors			Independent non-executive directors				
	Zhang Shiping ("Mr Zhang")[1] RMB'000	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong (Zhang Hao as his alternate)[2] RMB'000	Xing Jian RMB'000	Chen Yinghai [3] RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	Total RMB'000
FOR THE YEAR ENDED 31 DECEMBER 2018												
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings												
Fees	1,500	500	800	500	600	300	145	200	92	200	200	5,037
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings												
Other emoluments												
– Salaries and allowances	153	98	141	94	112	–	–	–	–	–	–	598
– Retirement benefit scheme contributions	–	–	14	13	13	–	–	–	–	–	–	40
	1,653	598	955	607	725	300	145	200	92	200	200	5,675

1. Passed away on 23 May 2019
2. Resigned on 2 February 2018 and appointed on 31 August 2018
3. Resigned on 16 May 2018

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

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

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

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2019 and 2018.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2018: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining three (2018: three) individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	**2,863**	2,716
Retirement benefits scheme contributions	**95**	46
	2,958	2,762

Their emoluments were within the following bands:

	No. of employee	
	2019	2018
Nil to HK$1,000,000 (approximately RMB883,000)	**2**	1
HK$1,000,001 to HK$1,500,000 (approximately RMB883,000 to RMB1,325,000)	**1**	2
HK$1,500,001 to HK$2,000,000 (approximately RMB1,325,000 to RMB1,757,000)	**–**	–
HK$2,000,001 to HK$2,500,000 (approximately RMB1,757,000 to RMB2,208,000)	**–**	–
	3	3

15. DIVIDENDS

	2019 RMB'000	2018 RMB'000
Dividends recognised as distribution during the year	**1,807,631**	1,697,064

Subsequent to the end of the reporting period, a final dividend of HK34 cents per share in respect of the year ended 31 December 2019 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

During the current year, a final dividend of HK24 cents per share in respect of the year ended 31 December 2018 has been approved and paid.

During the year ended 31 December 2018, a final dividend of HK20 cents per share in respect of the year ended 31 December 2017 has been approved and paid. During the year ended 31 December 2018, the Company also paid a special dividend of HK20 cents per share and final dividend of HK27 cents per share in respect of the year ended 31 December 2016.

16. EARNINGS PER SHARE

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

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

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**8,600,287**	8,696,856
Effect of dilutive potential ordinary shares:		
Convertible bonds	**262,059**	256,657
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**8,862,346**	8,953,513

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2018	36,733,734	71,555,504	73,643	78,762	6,200,451	114,642,094
Additions	324,315	275,141	2,750	6,871	1,946,960	2,556,037
Transfer	595,534	650,262	–	–	(1,245,796)	–
Disposals	(132,644)	(1,122,990)	(413)	(3,840)	–	(1,259,887)
Disposal of a subsidiary (note 50)	(1,440,601)	(1,656,132)	(2,010)	(2,256)	(414,590)	(3,515,589)
Exchange realignment	188,568	62,885	518	450	54,364	306,785
At 31 December 2018 and 1 January 2019	36,268,906	69,764,670	74,488	79,987	6,541,389	112,729,440
Additions	3,051	55,581	12,934	8,965	3,347,531	3,428,062
Additions from new acquired subsidiary	–	377,627	3,167	876	39,930	421,600
Transfer	3,325,155	3,465,091	–	–	(6,790,246)	–
Disposals	(132,643)	(2,265,722)	–	(10,756)	–	(2,409,121)
Write-offs	–	(673,493)	–	–	–	(673,493)
Reclassified as held for sale	–	–	–	–	(897,995)	(897,995)
Exchange realignment	76,659	26,953	205	201	15,866	119,884
At 31 December 2019	39,541,128	70,750,707	90,794	79,273	2,256,475	112,718,377
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	6,581,425	22,997,060	44,010	36,584	939,903	30,598,982
Provided for the year	1,487,717	5,660,464	11,756	8,563	–	7,168,500
Eliminated on disposal	(68,287)	(1,023,992)	(367)	(3,549)	–	(1,096,195)
Eliminated on disposal of a subsidiary (note 50)	(123,529)	(208,758)	(698)	(302)	–	(333,287)
Exchange realignment	19,508	10,011	352	179	–	30,050
At 31 December 2018 and 1 January 2019	7,896,834	27,434,785	55,053	41,475	939,903	36,368,050
Provided for the year	1,527,698	5,668,104	11,033	11,172	–	7,218,007
Impairment loss recognised in profit or loss	743,724	952,775	22	581	30,302	1,727,404
Reversal of impairment loss	(32,384)	(759,086)	(12)	(81)	(176,917)	(968,480)
Eliminated on disposal	(72,067)	(1,986,477)	–	(10,186)	–	(2,068,730)
Eliminated on write-offs	–	(227,909)	–	–	–	(227,909)
Reclassified as held for sale	–	–	–	–	(367,022)	(367,022)
Exchange realignment	11,556	5,863	171	93	–	17,683
At 31 December 2019	10,075,361	31,088,055	66,267	43,054	426,266	41,699,003
CARRYING VALUES						
At 31 December 2019	29,465,767	39,662,652	24,527	36,219	1,830,209	71,019,374
At 31 December 2018	28,372,072	42,329,885	19,435	38,512	5,601,486	76,361,390

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

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

18. LEASES

(i) Right-of-use assets

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

18. LEASES (Continued)

(i) Right-of-use assets (Continued)

As at 31 December 2019, right-of-use assets of RMB5,061,136,000 represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. As at 31 December 2019, the Group is still in a process of obtaining the land certificate with the carrying amount of RMB981,668,000. In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for office premises, factories, crew boats, vessels and crane barges. The lease terms are generally ranged from 2 to 20 years.

At 31 December 2019, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB300,980,000 were pledged to secure bank borrowings of the Group (note 37).

(ii) Lease liabilities

	31.12.2019 RMB'000	1.1.2019 RMB'000
Non-current	61,859	49,749
Current	28,874	4,815
	90,733	54,564

Amounts payable under lease liabilities

	31.12.2019 RMB'000
Within one year	28,874
After one year but within two years	17,338
After two years but within five years	6,937
After five years	37,584
	90,733
Less: Amount due for settlement within 12 months (shown under current liabilities)	(28,874)
Amount due for settlement after 12 months	61,859

During the year ended 31 December 2019, the Group entered into a number of new lease agreements in respect of office premises, factories, crew boats, vessels and crane barges and recognised liability of RMB58,044,000.

18. LEASES (Continued)

(iii) Amounts recongised in profit or loss

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

(iv) Others

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

19. INTANGIBLE ASSETS

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

19. INTANGIBLE ASSETS (Continued)

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

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

20. PREPAID LEASE PAYMENTS

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

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

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

21. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2018, 31 December 2018 and 1 January 2019	156,472
Disposals	(93,152)
Reclassified as right-of-use assets (note 18)	(63,320)
At 31 December 2019	–
ACCUMULATED DEPRECIATION	
At 1 January 2018	5,541
Provided for the year	7,325
At 31 December 2018 and 1 January 2019	12,866
Provided for the year	1,121
Eliminated on disposal	(10,373)
Reclassified as right-of-use assets (note 18)	(3,614)
At 31 December 2019	–
CARRYING VALUES	
At 31 December 2019	–
At 31 December 2018	143,606

The fair value of the Group's investment properties as at 31 December 2018 was approximately RMB153,789,000. The fair value has been arrived at with reference to a valuation carried out by Zhongjing Minxin (Beijing) Assets Appraisal Co., Ltd, independent qualified professional valuers, not connected to the Group. The fair value was determined with reference to recent market prices for similar properties in similar locations and conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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

The fair value hierarchy as at 31 December 2018 of the investment properties of the Group are at Level 3. There were no transfers between fair value hierarchies during the year ended 31 December 2018.

21. INVESTMENT PROPERTIES (Continued)

During the year ended 31 December 2019, the Group has transferred a land with carrying amount of approximately RMB59,706,000 from investment property to right-of-use assets due to the change in use, which evidenced by commencement of owner occupation.

The following table gives information about how the fair values of the investment properties as at 31 December 2018 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2018 '000	Valuation techniques and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Investment properties	Level 3	RMB153,789	Depreciated replacement cost ("DRC") approach, Key inputs: Market replacement cost, assets residual ratio	Market Replacement cost per square metre/per unit	Approximately RMB1,000 per square metre/ from approximately RMB7,000 to RMB712,000	The higher the market replacement cost, the higher the fair value
				Assets residual ratio	From approximately 65% to 75%	The higher the assets residual ratio, the higher the fair value

22. INTERESTS IN ASSOCIATES

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

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

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

As at 31 December 2019 and 2018, the Group had interests in the following material associates:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2019	2018	**2019**	2018	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP")	Incorporated	Guinea	Guinea	Ordinary	**22.5%**	22.5%	**22.5%**	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Zhongheng Xieli Investment Co., Ltd.* ("中衡協力投資有公司")	Established	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Inactive
GTS Global Trading Pte. Ltd. ("GTS")	Incorporated	Singapore	Singapore	Ordinary	**25%**	25%	**25%**	25%	Trading of bauxite
Shandong Innovation Carbon New Material Co., Ltd. ("Innovation Carbon New Material") * ("山東創新炭材料有限公司")	Incorporated	PRC	PRC	Ordinary	**20%**	20%	**20%**	20%	Trading of carbon
Winning Consortium Railway Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	**29%**	29%	**29%**	29%	Railway design and construction

22. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2019 and 2018, 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
					2019	2018	2019	2018	
Shandong Weiqiao Lvhui Renewable Resources Technology Co., Ltd* ("山東魏橋綠匯再生資源科技有限公司")	Incorporated	PRC	PRC	Ordinary	20%	–	20%	–	Magnesium sulfite utilisation
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%	–	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%	–	Electricity business
Beijing Honghua Zhida Technology Development Co., Ltd * ("北京宏華智達科技發展有限公司")	Incorporated	PRC	PRC	Ordinary	45%	–	45%	–	Technology promotion and development
Shandong Zhilv 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%	–	Trading of light alloy materials

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

	2019 RMB'000	2018 RMB'000
Current assets	**8,628,495**	6,254,062
Current liabilities	**(2,205,178)**	(1,651,986)
Non-current liabilities	**(767,382)**	(754,952)
Revenue	**7,973,956**	8,599,058
Profit for the year	**1,738,509**	1,195,340
Other comprehensive income for the year	**70,302**	295,393
Total comprehensive income for the year	**1,808,811**	1,490,733
Elimination of realised profits	**–**	93,825

22. INTERESTS IN ASSOCIATES (Continued)

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

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

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

Binneng Energy

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

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

	2019 RMB'000	2018 RMB'000
Net assets of the associate	**4,899,439**	–
Proportion of the Group's ownership interest in Binneng Energy	**45%**	N/A
Carrying amount of the Group's interest in Binneng Energy	**2,204,748**	–

22. INTERESTS IN ASSOCIATES (Continued)

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

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

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

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

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

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

23. LOAN TO AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Loan to an associate	**2,000,000**	–

The balance of loan to an associate is secured by plant and equipment of the associate, bearing interest at 6% per annum and repayable on 20 June 2021.

24. GOODWILL

	2019 RMB'000	2018 RMB'000
COST		
At beginning and the end of the financial year	**1,934,457**	1,934,457
ACCUMULATED IMPAIRMENT LOSSES		
At beginning of the financial year	**1,325,639**	668,694
Impairment loss recognised during the year	**–**	656,945
At the end of the financial year	**1,325,639**	1,325,639
CARRYING AMOUNT		
At 31 December	**608,818**	608,818

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

During the year ended 31 December 2019, no impairment loss is recognised (2018: RMB656,945,000) in relation to goodwill arising on acquisition of Hongchuang. The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang for the year ended 31 December 2018.

Impairment test on goodwill

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

	2019 RMB'000	2018 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Unit A)	**231,351**	231,351
Manufacture and selling of aluminum products in Binzhou, the PRC (Unit B)	**80,418**	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	**297,049**	297,049
	608,818	608,818

24. GOODWILL (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and pre-tax discount rate of 21.33% (2018: 21.65%). Unit A's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

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

Unit B

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and a pre-tax discount rate of 21.33% (2018: 21.65%). Unit B's cash flows beyond the 3-year period are extrapolated using a zero growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry. The Group is the pioneer of aluminum manufacturing industry technology which has reduced the cost and time of production, and these industrial products qualify for major products of the Group.

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

Hongchuang

The recoverable amount of this CGU approximates to RMB730,347,000 (2018: RMB678,334,000) has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang, and a blockage discount factor of 5.57% (2018: 5.08%) and relevant transaction costs.

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

The fair value hierarchy as at 31 December 2019 and 2018 of Hongchuang are at Level 2. There were no transfers between fair value hierarchies during the year.

25. FINANCIAL ASSETS AT FVTOCI

Financial assets at FVTOCI comprise:

	2019 RMB'000	2018 RMB'000
Equity instruments as at FVTOCI		
– Listed	**289,339**	908,170

The fair value of these investments is disclosed in note 48.

Investments in listed equity securities represent the Group's investment in Bank of Jinzhou, a company listed in Hong Kong and engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the China Banking Regulatory Commission. 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.

26. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	**14,292,339**	12,252,197
Work in progress	**6,995,936**	6,814,947
Finished goods	**558,647**	738,417
	21,846,922	19,805,561

During the year, the allowance for inventories of approximately RMB94,400,000 (2018: RMB36,524,000) has been recognised and included in other expenses.

During the year, inventories previously impaired were sold at profit. As a result, a reversal of provision of approximately RMB69,366,000 (2018: RMB62,370,000) has been recognised and included in other income and gains in the current year.

27. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**10,318,327**	6,757,303
Less: allowance for impairment losses	**(7,001)**	(6,725)
	10,311,326	6,750,578

At as 31 December 2019, the gross amount of trade receivable arising from contracts with customers amounted to RMB10,318,327,000 (2018: RMB6,757,303,000).

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

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**8,561,127**	6,304,751
3-12 months	**1,748,274**	438,473
12-24 months	**1,925**	7,076
24-36 months	**–**	278
	10,311,326	6,750,578

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 an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, 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.

27. TRADE RECEIVABLES (Continued)

The Group recognised lifetime ECL for trade receivables based on individually significant customer or the ageing of customers collectively that are not individually significant. As at 31 December 2019, lifetime ECL of approximately RMB7,001,000 (2018: RMB6,725,000) has been made in respect of trade receivables with gross amount of RMB7,001,000 (2018: RMB6,725,000) as they are determined to be credit impaired. For the remaining balance of approximately RMB10,311,326,000 (2018: RMB6,750,578,000), the Group determines the ECL based on a provision matrix grouped by the past due status of these receivables. However, no loss allowance was made on these receivables as the identified impairment loss is immaterial.

The provision matrix of trade receivables is set out below:

For the year ended 31 December 2019

	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%**	**0.00050%**	**0.00044%**	**0.20902%**	**100%**	**100%**	**–**
Gross carrying amount (RMB'000)	**9,791,682**	**506,380**	**13,264**	**–**	**–**	**7,001**	**10,318,327**
Lifetime ECL (RMB'000)	**–**	**–**	**–**	**–**	**–**	**7,001**	**7,001**

For the year ended 31 December 2018

	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%	0.00042%	0.23902%	100%	100%	–
Gross carrying amount (RMB'000)	6,692,894	37,528	20,156	–	–	6,725	6,757,303
Lifetime ECL (RMB'000)	–	–	–	–	–	6,725	6,725

The movement in the allowance for impairment of trade receivables is set out below:

	2019 RMB'000	2018 RMB'000
At 1 January	**6,725**	15,772
Reversal of impairment loss	**–**	(9,047)
Impairment loss recognised	**276**	–
At 31 December	**7,001**	6,725

28. BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Bills receivables	**11,139,775**	11,726,626

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**6,343,124**	6,319,777
3 to 6 months	**4,416,395**	5,046,349
Over 6 months	**380,256**	360,500
	11,139,775	11,726,626

TRANSFERS OF FINANCIAL ASSETS

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

	2019 RMB'000	2018 RMB'000
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	**11,129,710**	11,681,840
Carrying amount of trade payables	**(10,898,559)**	(11,050,300)
Carrying amount of other payables	**(231,151)**	(631,540)
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.

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 additional loss allowance was provided on the Group's bills receivables for the years ended 31 December 2019 and 2018.

29. PREPAYMENTS AND OTHER RECEIVABLES

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

	2019 RMB'000	2018 RMB'000
Prepayments to suppliers	**967,864**	1,386,528
Prepayments to an associate (note (ii))	**2,438,457**	–
Value-added tax recoverable	**954,990**	1,205,447
CIT refundable	**63,050**	80,404
Receivables arising from dealing with futures	**123,094**	102,411
Receivables arising from disposal of a subsidiary (note 50)	**–**	1,417,074
Receivables arising from dealing with investment	**1,000,000**	–
Insurance recoverable	**150,567**	–
Factoring receivables (note (i))	**219,944**	323,627
Interest receivables	**3,965**	539
Dividend receivables	**8,355**	–
Others	**185,726**	269,891
	6,116,012	4,785,921
Less: allowance for impairment losses	**(40,700)**	(38,458)
	6,075,312	4,747,463

Notes:

(i) The factoring receivables will be received within one year and carrying interest rate of 10% per annum.

(ii) On 21 June 2019, the Group entered into an electricity procurement agreement with an associate of the Group, pursuant to which the Group agreed to provide a prepayment to the associate for the supply of electricity.

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 2019

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	**N/A**	**26,844**	**(26,844)**	**–**
Other receivables – Doubtful	**6.30%**	**223,909**	**(13,856)**	**210,053**
Other receivables – Performing	*****	**1,440,898**	**–**	**1,440,898**
		1,691,651	**(40,700)**	**1,650,951**

29. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

For the year ended 31 December 2018

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	N/A	23,722	(23,722)	–
Other receivables – Doubtful	4.55%	324,166	(14,736)	309,430
Other receivables – Performing	*	1,765,654	–	1,765,654
		2,113,542	(38,458)	2,075,084

* For the remaining balance of other receivables, it has low risk of default or has not been significantly increased in credit risk since initial recognition. The directors of the Company consider the ECL is immaterial.

The movement in the impairment allowance for other receivables during the year are as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**38,458**	25,011
Reversal of impairment loss	**(13,335)**	–
Impairment loss recongised	**15,577**	13,447
At 31 December	**40,700**	38,458

30. FINANCIAL ASSETS AT FVTPL

	2019 RMB'000	2018 RMB'000
Financial assets at FVTPL		
Collective investment trust	**2,005**	–

31. OTHER FINANCIAL ASSET/LIABILITIES

	2019 RMB'000	2018 RMB'000
Other financial asset		
Capped forward contract	**819**	–
Other financial liabilities		
Interest rate swaps contracts	**3,300**	–

Year ended 31 December 2019

Major terms of the capped forward contract are as follows:

Notional amount	Maturity	Exchange rate
US$10,000,000	20 July 2022	Buy US$/Sell RMB at 6.90 to 7.01

Major terms of the interest rate swaps are as follows:

Notional amount	Maturity	Swaps
US$ 20,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR
US$ 25,000,000	14 April 2021	From 3.25% per annum to 1-Month US$-LIBOR

32. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2019 RMB'000	2018 RMB'000
Cash and bank balances	**41,857,116**	45,380,413
Restricted bank deposits	**1,423,967**	1,256,474
	43,281,083	46,636,887
Less:		
Restricted bank deposits:		
– pledged for bills payable	**(1,002,928)**	(1,000,000)
– pledged for issuance of letter of credit	**(117,472)**	(231,474)
– pledged for guarantee issued	**(299,060)**	(25,000)
– other restricted bank balances	**(4,507)**	–
Cash and cash equivalents	**41,857,116**	45,380,413

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

32. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS (Continued)

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

Bank balances and time deposits carry interest at market rates which range from 0.05% to 1.50% (2018: 0.05% to 1.50%) per annum.

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate from 0.05% to 1.55% (2018: 0.05% to 1.55%) per annum.

33. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 1 May 2019, Binzhou City Zhanhua District Huihong New Material Co., Ltd.* (“Zhanhua Huihong”) 濱州市沾化區匯宏新材料有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party, to dispose of certain of its construction in process of property, plant and equipment in Binzhou City Zhanhua District, at a consideration of RMB600,000,000. RMB200,000,000 of the consideration was received during the year. The remaining balance of RMB400,000,000 will be received at the mid of 2020.

The disposal is expected to be completed within twelve months from the end of the current year and is therefore classified as assets held for sales in the consolidated statement of financial position. The sales proceeds are expected to exceed the net carrying amounts of the relevant assets and accordingly, no impairment has been recognised. The disposal was negotiated under arm’s length basis and approved by the board of directors’ of the subsidiary.

Major classes of assets as at the end of the current year are as follows:

	2019 **RMB’000**
Property, plant and equipment	**530,973**
Assets classified as held for sale	**530,973**

* The English name is for reference only

34. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2019 RMB'000	2018 RMB'000
Changes in fair values of arising from:		
– capped forward contract	**819**	–
– interest rate swaps contracts	**(3,300)**	–
– derivatives component of convertible bonds (note 42)	**140,558**	397,683
	138,077	397,683

35. TRADE AND BILLS PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables to third parties	**15,820,689**	14,396,366
Trade payables to an associate	**203,267**	264,647
Trade payables to related parties	**52,858**	424
	16,076,814	14,661,437
Bills payable	**2,138,842**	2,000,000
	18,215,656	16,661,437

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

	2019 RMB'000	2018 RMB'000
Within 6 months	**15,609,824**	14,333,933
6-12 months	**422,080**	279,933
1-2 years	**10,658**	7,330
More than 2 years	**34,252**	40,241
	16,076,814	14,661,437

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

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

36. OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Payables on property, plant and equipment	**4,773,991**	4,271,983
Retention payables	**2,055,531**	2,421,027
Accrued payroll and welfare (note (i))	**611,247**	620,660
Contract liabilities (note (ii))	**2,381,094**	720,185
Dividend payables	**6**	5
Interest payable	**1,662,187**	1,778,752
Other taxes payables	**1,152,044**	1,507,955
Consideration payable (note 49)	**55,500**	–
Construction claim payable (note 57)	**60,000**	–
Others	**628,243**	520,113
	13,379,843	11,840,680

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2019 were accrued directors payroll and welfare of approximately RMB4,225,000 (2018: RMB5,020,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) The significant increase in contract liabilities in 2019 were mainly due to continuous increase in the customer base.

Revenue recongised during the year ended 31 December 2019 that was included in the contract liabilities at the beginning of the year is approximately RMB720,185,000 (2018: RMB710,110,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

37. BANK BORROWINGS

	2019 RMB'000	2018 RMB'000
Current		
Secured bank borrowings (note (iii))	**8,342,748**	873,104
Unsecured bank borrowings	**20,712,101**	18,060,631
	29,054,849	18,933,735
Non-current		
Secured bank borrowings (note (iii))	**405,990**	8,146,613
Unsecured bank borrowings (note (i))	**3,113,638**	3,117,190
	3,519,628	11,263,803
	32,574,477	30,197,538

37. BANK BORROWINGS (Continued)

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

	2019 **RMB'000**	2018 RMB'000
Within one year	**29,054,849**	18,933,735
In the second year	**2,221,874**	8,482,516
In the third to fifth years, inclusive	**1,297,754**	2,781,287
	32,574,477	30,197,538

	2019 **RMB'000**	2018 RMB'000
Amounts shown under current liabilities	**29,054,849**	18,933,735
Amounts shown under non-current liabilities	**3,519,628**	11,263,803
	32,574,477	30,197,538

The exposure of the Group's fixed-rate bank borrowings denominated in RMB at interest rate ranged from 3.40% to 7.00% (2018: ranged from 2.70% to 7.50%) and the contractual maturity dates (or reset dates) are as follows:

	2019 **RMB'000**	2018 RMB'000
Fixed-rate borrowings:		
Within one year	**11,874,602**	4,723,090

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

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

	2019	2018
Effective interest rate:		
Fixed-rate borrowings	**3.40% to 7.00%**	2.70% to 7.50%
Variable-rate borrowings	**4.57% to 6.09%**	4.35% to 6.09%

37. 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:

	2019 RMB'000	2018 RMB'000
US$	**5,219,214**	8,348,844

Notes:

(i) Bank borrowings of approximately RMB299,000,000 (2018: RMB299,000,000) are guaranteed by a related party was set out in note 55.

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

	2019 RMB'000	2018 RMB'000
Floating rate		
– expiring within one year	**1,933,231**	1,361,216

(iii) Secured 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 17 and 18 respectively.

38. OTHER BORROWING

	2019 RMB'000	2018 RMB'000
Other borrowing, unsecured		
Amount shown under current liabilities	**1,391,446**	–
Amount shown under non-current liabilities	**–**	1,366,569

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

	2019 RMB'000	2018 RMB'000
Within one year	**1,391,446**	–
After one year but within two years	**–**	1,366,569
	1,391,446	1,366,569

The interest rate of the other borrowing of US$200,000,000 (2018: US$200,000,000) is fixed at 7.50% per annum.

39. SHORT-TERM DEBENTURES AND NOTES

	2019 RMB'000	2018 RMB'000
Short-term debentures and notes	–	4,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2018 and 2019 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures	5 February 2018	1,000,000	6.00%	7 February 2019
Short-term debentures	14 March 2018	1,000,000	6.25%	16 March 2019
Short-term debentures	22 March 2018	1,000,000	6.20%	26 March 2019
Short-term debentures	2 April 2018	1,000,000	6.50%	4 April 2019

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

40. MEDIUM-TERM DEBENTURES AND BONDS

	2019 RMB'000	2018 RMB'000
Medium-term debentures and bonds-due within one year	1,495,784	1,752,756
Medium-term debentures and bonds-due after one year	38,529,229	41,077,258
	40,025,013	42,830,014

40. MEDIUM-TERM DEBENTURES AND BONDS

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2018 and 2019 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Nominal interest Rate	Effective interest Rate	Date of maturity
Unlisted					
Medium-term debentures A	14 October 2015	1,000,000	5.50%	5.86%	14 October 2020
Medium-term debentures B	15 December 2015	500,000	5.20%	5.88%	15 December 2020
Medium-term debentures C	25 October 2016	1,000,000	3.87%	4.21%	26 October 2021
Medium-term debentures D	3 November 2016	2,000,000	3.84%	4.18%	4 November 2021
Medium-term debentures E	5 January 2017	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	1,000,000	5.20%	5.25%	19 January 2022
Medium-term debentures H	2 March 2018	1,000,000	7.50%	7.85%	6 March 2021
Medium-term debentures I	18 April 2018	1,000,000	7.30%	7.65%	19 April 2021
Medium-term debentures J	20 April 2018	1,300,000	6.75%	7.09%	23 April 2021
Medium-term debentures K	25 April 2018	1,000,000	6.73%	7.07%	27 April 2021
Medium-term debentures L	26 April 2018	1,000,000	6.90%	7.24%	27 April 2021
Medium-term debentures M	24 May 2018	1,000,000	7.47%	7.82%	25 May 2021
Medium-term debentures N	13 August 2018	1,000,000	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	500,000	7.47%	7.75%	27 August 2021
Medium-term debentures P	12 July 2019	600,000	7.00%	7.24%	12 July 2022
Listed					
Enterprise bonds A	3 March 2014	1,149,960 (2018: 1,200,000)	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	1,056,362	7.45%	7.88%	21 August 2021
Enterprise bonds C	26 October 2015	214 (2018: 1,000,000)	6.26% (2018: 5.26%)	5.44%	26 October 2022
Enterprise bonds D	14 January 2016	1,999,950 (2018: 2,000,000)	7.30% (2018: 4.10%)	4.33%	14 January 2021
Enterprise bonds E	14 January 2016	1,000,000	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	1,800,000	7.00% (2018: 4.50%)	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	1,198,240 (2018: 1,200,000)	6.70% (2018: 4.04%)	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	3,500,000	6.50% (2018: 4.27%)	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	500,000	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	2,000,000	6.30% (2018: 4.20%)	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	7,800,000	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	6.00%	6.22%	26 March 2024
Private placement enterprise bond A	2 June 2016	Nil (2018: 1,758,000)	6.05%	6.50%	2 June 2019
Private placement enterprise bond B	15 July 2016	26,000 (2018: 3,000,000)	6.80% (2018: 6.48%)	6.75%	15 July 2021

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

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

According to the terms and conditions of private placement enterprise bonds A, the interest rate is 6.05% per annum for 2 years, up to 1 June 2018. At the end of the second year, on 2 June 2018, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year. During the year ended 31 December 2019, the Group has redeemed the private placement enterprises bonds A for RMB1,758,000,000 together with interest accrued up the that date.

According to the terms and conditions of private placement enterprise bonds B, the interest rate is 6.48% per annum for 3 years, up to 15 July 2019. At the end of the third year, on 14 July 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the private placement enterprise bonds from a range of -300 to 300 basis points (both figures inclusive), and keep the new interest rate for the last year. During the year ended 31 December 2019, the Group has redeemed the private placement enterprises bonds B for RMB2,974,000,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds A, the interest rate of the enterprise bonds is 8.69% per annum for the 5 years, up to 3 March 2019. At the end of the fifth year, on 3 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive). During the year ended 31 December 2019, the Group has redeemed the enterprises bonds A for RMB50,040,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds B, the interest rate of the enterprise bonds is 7.45% per annum for the 3 years, up to 21 August 2017. At the end of the third year and fifth year, on 21 August 2017 and 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100%of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive).

According to the terms and conditions of enterprise bonds C, the interest rate of the enterprise bonds is 5.26% per annum for the 4 years, up to 26 October 2019. At the end of the fourth year, on 26 October 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust upward the interest rate of the enterprise bonds from a range of 1 to 100 basis points (both figures inclusive). During the year ended 31 December 2019, the Group has redeemed the enterprises bonds C for RMB999,786,000 together with interest accrued up the that date.

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 7.30% (2018: 4.10%) per annum for the 3 years, up to 14 January 2019. At the end of the third year, on 14 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds E is 4.88% per annum for the 5 years, up to 14 January 2021, with no right to redeem the bonds or adjust the interest rate. During the year ended 31 December 2019, the Group has redeemed the enterprises bonds D for RMB50,000 together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 7.00% (2018: 4.50%) per annum for the 3 years, up to 27 January 2019. At the end of the third year, on 27 January 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

According to the terms and conditions of enterprise bonds G, the interest rate of the enterprise bonds is 6.70% (2018: 4.04%) per annum for the 3 years, up to 24 February 2019. At the end of the third year, on 24 February 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. During the year ended 31 December 2019, the Group has redeemed the enterprises bonds G for RMB1,760,000 together with interest accrued up the that date.

Enterprise bonds H and I are different categories of the same tranche, the interest rate of the enterprise bonds H is 6.50% (2018: 4.27%) per annum for the 3 years, up to 10 March 2019. At the end of the third year, on 10 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds. The interest rate of the enterprise bonds I is 4.83% per annum for the 5 years, up to 10 March 2021, with no right to redeem the bonds or adjust the interest rate.

According to the terms and conditions of enterprise bonds J, the interest rate of the enterprise bonds is 6.30% (2018: 4.20%) per annum for the 3 years, up to 22 March 2019. At the end of the third year, on 22 March 2019, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

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

According to the terms and conditions of enterprise bonds L the interest rate of the enterprise bonds is 6.00% per annum for the 3 years, up to 26 March 2022. At the end of the third year, on 26 March 2022, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

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

40. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

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

	2019 RMB'000	2018 RMB'000
Within one year	**1,495,784**	1,752,756
In the second to fifth year	**38,529,229**	33,330,745
Over five years	**–**	7,746,513
	40,025,013	42,830,014

41. GUARANTEED NOTES

	2019 RMB'000	2018 RMB'000
Current liabilities	**–**	3,078,664
Non-current liabilities	**3,457,313**	–

On 17 April 2018, the Company issued 6.85% guaranteed notes with the aggregate principal amount of US$450,000,000 (equivalent to approximately RMB2,865,150,000) (the "2019 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2019 Guaranteed Notes matured on 22 April 2019. The 2019 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2019 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2019 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	**Redemption price**
Prior to 22 April 2019	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 April 2019	106.85% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2019 Guaranteed Notes on 22 April 2019, plus all required remaining scheduled interest payments due on the 2019 Guaranteed Notes through 22 April 2019 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 22 April 2019, the Company may at its option redeem the 2019 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

41. GUARANTEED NOTES (Continued)

Notes: (Continued)

(iii) At any time prior to 22 April 2019, the Company may redeem up to 35% of the 2019 Guaranteed Notes, at a redemption price of 106.85% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2019 Guaranteed Notes on date of issuance is net of issue expenses of US$4,837,000 (equivalent to approximately RMB30,793,000) and the effective interest rate of the 2019 Guaranteed Notes is 9.06% per annum.

On 22 April 2019, the Company has redeemed the 2019 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

On 15 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 are guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will mature 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.

41. GUARANTEED NOTES (Continued)

The carrying amount of the 2022 Guaranteed Notes on date of issuance is net of issue expenses of US$4,000,000 (equivalent to approximately RMB27,471,000) and the effective interest rate of the 2022 Guaranteed Notes is 7.63% per annum.

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

On 24 September 2019, the Company issued 7.375% guaranteed notes with the aggregate principal amount of US$200,000,000 (equivalent to approximately RMB1,414,580,000) (the "2023 Guaranteed Notes") which are guaranteed by certain subsidiaries of the Group. The 2023 Guaranteed Notes will mature on 2 May 2023. The 2023 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2023 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2023 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 2 May 2023	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 2 May 2023	107.375% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

(i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2023 Guaranteed Notes on 2 May 2023, plus all required remaining scheduled interest payments due on the 2023 Guaranteed Notes through 2 May 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

(ii) At any time prior to 2 May 2023, the Company may at its option redeem the 2023 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.

(iii) At any time prior to 2 May 2023, the Company may redeem up to 35% of the 2023 Guaranteed Notes, at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2023 Guaranteed Notes on date of issuance is net of issue expenses of US$2,700,000 (equivalent to approximately RMB19,097,000) and the effective interest rate of the 2023 Guaranteed Notes is 7.81% per annum.

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

42. CONVERTIBLE BONDS

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

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

	Liability component of CBs RMB'000	**Derivatives component of CBs** RMB'000	**Total** RMB'000
As at 1 January 2018	1,095,225	991,660	2,086,885
Changes in fair values	–	(397,683)	(397,683)
Effective interest expenses	193,010	–	193,010
Interest paid	(94,039)	–	(94,039)
Conversion into shares of the Company (note 45(b))	(248,367)	(224,881)	(473,248)
Exchange translation	66,223	46,099	112,322
At 31 December 2018 and 1 January 2019	**1,012,052**	**415,195**	**1,427,247**
Changes in fair values	**–**	**(140,558)**	**(140,558)**
Effective interest expenses	**210,102**	**–**	**210,102**
Interest paid	**(86,755)**	**–**	**(86,755)**
Exchange translation	**15,156**	**5,300**	**20,456**
As at 31 December 2019	**1,150,555**	**279,937**	**1,430,492**

42. CONVERTIBLE BONDS (Continued)

On 25 January 2018, 70,544,156 ordinary shares of the Company were issued as a result of the conversion of CBs with principal amount of US$73,600,000. No redemption, purchase or cancellation by the Company has been made in respect of the CBs during the year ended 31 December 2019.

On 7 February 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$8.16 to HK$7.71 per share and, on 12 June 2018, as a result of the Company's declaration of dividend, the conversion price of the CBs was further adjusted from HK$7.71 to HK$7.53 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 17 June 2019, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK$7.53 to HK$7.21 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2019, the principal amount of the CBs that remained outstanding amounted to US$246,400,000 (2018: US$246,400,000) of which a maximum of 267,287,611 (2018: 255,928,775) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018 and 13 July 2018 and 17 June 2019.

At 31 December 2018 and 2019, the fair values of the derivatives component was valued by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the Binomial model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	At 31 December 2019	At 31 December 2018
Share price	**HK$4.70**	HK$4.45
Conversion price	**HK$7.21**	HK$7.53
Expected volatility	**41.71%**	55.54%
Expected life	**2.91 years**	3.91 years
Risk free rate	**1.59%**	2.45%
Expected dividend yield	**4.98%**	4.40%

43. DEFERRED TAXATION

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

	2019 **RMB'000**	2018 RMB'000
Deferred tax assets	**2,084,454**	1,865,927
Deferred tax liabilities	**(721,545)**	(670,982)
	1,362,909	1,194,945

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

	Decelerated tax depreciation RMB'000	Tax losses RMB'000	Income tax facility RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Unrealised profit on intra-group sales RMB'000	Deferred income RMB'000	Provisions RMB'000	Consideration receivables from disposal of a subsidiary RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employee benefits RMB'000	Total RMB'000
At 1 January 2018	1,151,816	149,467	82,280	(142,261)	295,493	69,700	35,229	–	(363,136)	871	1,279,459
(Charged) credited to profit or loss	(114,778)	36,573	14,053	(182,433)	68,988	67,420	(8,725)	14,481	16,848	3,059	(84,514)
At 31 December 2018 and 1 January 2019	**1,037,038**	**186,040**	**96,333**	**(324,694)**	**364,481**	**137,120**	**26,504**	**14,481**	**(346,288)**	**3,930**	**1,194,945**
Credited (charged) to profit or loss	**155,588**	**(141,991)**	**(29,677)**	**(78,605)**	**240,694**	**(464)**	**6,888**	**(14,481)**	**28,042**	**1,970**	**167,964**
At 31 December 2019	**1,192,626**	**44,049**	**66,656**	**(403,299)**	**605,175**	**136,656**	**33,392**	**-**	**(318,246)**	**5,900**	**1,362,909**

At the end of the reporting period, the Group has unused tax losses of approximately RMB5,116,771,000 (2018: RMB4,533,230,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB176,196,000 (2018: RMB744,160,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB4,940,575,000 (2018: RMB3,789,070,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB4,934,210,000 (2018: RMB3,788,602,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB6,365,000 (2018: RMB468,000) may be carried forward indefinitely.

Certain tax losses of approximately RMB115,132,000 (2019: nil) attributable to the Company and certain subsidiaries were disallowed by the Inland Revenue Department for the year ended 31 December 2018.

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 RMB40,484,956,000 (2018: RMB36,294,907,000). 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.

44. DEFERRED INCOME

	2019 RMB'000	2018 RMB'000
Government grants		
– Current liabilities	**22,330**	19,450
– Non-current liabilities	**549,086**	553,820
	571,416	573,270

As at 31 December 2019, the Group received government subsidies of approximately RMB20,892,000 (2018: RMB287,598,000) towards certain environment protection and construction projects. The amount has been treated as deferred income. The amount is transferred to income over the useful lives of plant and machineries. This policy has resulted in a credit to income in the current period of approximately RMB22,746,000 (2018: RMB17,920,000). As at 31 December 2019, balances of approximately RMB571,416,000 (2018: RMB573,270,000) remain to be amortised.

45. SHARE CAPITAL

	Number of shares		**Share Capital**	
	2019	2018	**2019 US$**	2018 US$
Authorised:				
Ordinary shares of US$0.01 each	**10,000,000,000**	10,000,000,000	**100,000,000**	100,000,000

	2019	2018	**2019 US$**	2018 US$
Issued and fully paid:				
Ordinary shares of US$0.01 each	**8,570,852,349**	8,675,394,849	**85,708,523**	86,753,948

	Number of shares	**Share Capital RMB'000**
Issued and fully paid:		
At 1 January 2018	8,057,888,193	526,966
Issue of shares upon share subscription (note (a))	650,000,000	41,710
Issue of shares upon conversion of CBs (note (b))	70,544,156	4,495
Shares repurchased and cancelled	(103,037,500)	(6,999)
At 31 December 2018 and 1 January 2019	**8,675,394,849**	**566,172**
Shares repurchased and cancelled	**(104,542,500)**	**(7,082)**
At 31 December 2019	**8,570,852,349**	**559,090**

45. SHARE CAPITAL (Continued)

Notes:

(a) On 23 January 2018, 650,000,000 ordinary shares of US$0.01 each were issued and allotted at a price of HK$9.6 per share, raising a total proceeds of approximately RMB5,060,159,000, net of share issue expense of approximately RMB60,822,000.

(b) During the year ended 31 December 2018, CBs with principal amount US$73,600,000 was converted into 70,544,156 ordinary shares of the Company at par at the conversion price of HK$8.16 per ordinary share.

The Company does not have any share option scheme.

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

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

For the year ended 31 December 2019

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest	Price per share Lowest	Aggregate consideration paid	Share cancelled date
		HK$	HK$	HK$	
14-Jan-19	620,000	4.80	4.79	2,975,000	25-Jan-19
16-Jan-19	2,406,500	5.05	4.95	12,072,000	25-Jan-19
17-Jan-19	1,880,000	5.07	5.05	9,511,000	25-Jan-19
18-Jan-19	1,060,000	5.05	5.04	5,352,000	25-Jan-19
25-Mar-19	8,000,000	5.65	5.39	44,837,000	9-Apr-19
26-Mar-19	8,375,000	5.71	5.62	47,444,000	9-Apr-19
27-Mar-19	6,174,000	5.77	5.61	35,271,000	9-Apr-19
28-Mar-19	10,150,000	5.89	5.78	59,551,000	9-Apr-19
29-Mar-19	9,150,000	5.92	5.74	53,809,000	9-Apr-19
9-Apr-19	4,500,000	6.53	6.20	28,798,000	24-Apr-19
10-Apr-19	4,150,000	6.68	6.49	27,357,000	24-Apr-19
11-Apr-19	8,500,000	6.75	6.61	57,154,000	24-Apr-19
12-Apr-19	7,000,000	6.76	6.57	46,800,000	24-Apr-19
22-May-19	6,423,000	5.50	5.21	34,977,000	3-Jun-19
23-May-19	10,189,000	5.56	5.34	55,917,000	3-Jun-19
24-May-19	3,798,000	5.54	5.49	20,894,000	3-Jun-19
27-May-19	7,517,500	5.51	5.34	41,137,000	19-Jun-19
29-May-19	4,649,500	5.57	5.40	25,589,000	19-Jun-19

45. SHARE CAPITAL (Continued)

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

For the year ended 31 December 2018

Date of repurchase	No. of ordinary share of US$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$	Share cancelled date
25-Jun-18	1,660,000	6.90	6.66	11,311,000	11-Jul-18
26-Jun-18	2,690,500	7.11	6.60	18,605,000	11-Jul-18
27-Jun-18	2,054,000	7.15	6.83	14,276,000	11-Jul-18
28-Jun-18	3,968,000	7.30	6.87	27,948,000	11-Jul-18
29-Jun-18	2,988,000	7.40	7.10	21,987,000	11-Jul-18
3-Jul-18	2,330,000	7.50	6.99	17,084,000	16-Jul-18
4-Jul-18	3,705,000	7.45	7.23	27,298,000	16-Jul-18
5-Jul-18	3,570,000	7.40	7.12	26,125,000	16-Jul-18
6-Jul-18	2,496,000	7.60	7.32	18,796,000	16-Jul-18
9-Jul-18	1,920,000	7.72	7.56	14,750,000	24-Jul-18
10-Jul-18	1,594,000	7.84	7.67	12,355,000	24-Jul-18
11-Jul-18	1,870,000	7.75	7.59	14,381,000	24-Jul-18
12-Jul-18	5,138,500	7.70	7.55	39,090,000	24-Jul-18
13-Jul-18	6,923,500	8.00	7.65	54,354,000	24-Jul-18
31-Aug-18	1,000,000	6.65	6.57	6,618,000	17-Sep-18
3-Sep-18	622,500	6.65	6.60	4,133,000	17-Sep-18
4-Sep-18	168,000	6.70	6.65	1,124,000	17-Sep-18
5-Sep-18	1,793,000	6.82	6.79	12,198,000	17-Sep-18
6-Sep-18	2,482,500	6.85	6.80	16,987,000	17-Sep-18
7-Sep-18	3,622,000	6.87	6.83	24,846,000	17-Sep-18
10-Sep-18	6,390,000	6.87	6.75	43,849,000	24-Sep-18
11-Sep-18	9,952,000	6.80	6.74	67,557,000	24-Sep-18
12-Sep-18	10,500,000	6.80	6.72	71,164,000	24-Sep-18
13-Sep-18	4,000,000	6.88	6.79	27,424,000	24-Sep-18
14-Sep-18	19,600,000	6.10	5.75	115,318,000	24-Sep-18

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2018: nil).

46. 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 Shangdong Hongqiao in excess of the net book value of Chongqing Weiqiao acquired from Weiqiao Chuangye in 2018; and (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries.

(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

Investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

47. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, other borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 37, 38, 39, 40, 41 and 42, and cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 45, share premium and reserves in the consolidated statement of financial position.

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

48. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amostised cost (including cash and cash equivalents)	**66,380,707**	67,189,175
Financial assets at FVTPL		
– Financial asset at FVTPL	**2,005**	-
– Other financial asset	**819**	-
Financial assets at FVTOCI		
– Equity instruments at FVTOCI	**289,339**	908,170
Financial liabilities		
Financial liabilities at FVTPL		
– Derivatives component of convertible bonds	**279,937**	415,195
– Other financial liabilities	**3,300**	–
Financial liabilities at amortised cost	**106,661,165**	108,758,598

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

(c) Market risk

(i) Currency risk

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

	Assets		Liabilities	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
US$	**1,638,511**	1,331,603	**20,844,916**	17,884,350
Hong Kong Dollar ("HK$")	**79,264**	26,007	**–**	–
IDR	**26,994**	96,790	**–**	–

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against the relevant foreign currencies 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 5% change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where RMB strengthen 5% (2018: 5%) against the relevant currency. For a 5% (2018: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2019 **RMB'000**	2018 RMB'000
Effect on post-tax profit:		
US$ (note (i))	**720,610**	620,712
HK$ (note (ii))	**(2,972)**	(920)
IDR (note (iii))	**(1,012)**	(3,630)

Notes:

(i) This is mainly attributable to the exposure outstanding on US$ of cash and cash equivalents, trade and other receivables, trade and other payables, bank borrowings, other borrowing, guaranteed notes and convertible bonds at year end.

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

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

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

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

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

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

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

Sensitivity analysis

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

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

	2019 **RMB'000**	2018 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	**(38,876)**	(50,597)
As a result of decrease in interest rate	**38,876**	50,597

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

48. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is mainly concentrated on equity instrument operating in consultancy service industry sector quoted in the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If the price of the respective equity instrument had been 10% (2018: 10%) higher/lower, other comprehensive income for the year ended 31 December 2019 would increase/decrease by approximately RMB28,934,000 (2018: RMB90,817,000) as a result of the changes in financial assets at FVTOCI.

(d) Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from loans to associates, trade receivables, bills receivable, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Management considered loans to associates to be low credit risk and the Group was measured the loss allowance limited to 12-month ECL.

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

		Basis for recognising ECL	
Category	**Description**	**Trade receivables**	**Other financial assets**
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	Lifetime ECL (simplified approach)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

For the year ended 31 December 2019

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables (note 1)	Performing	Lifetime ECL (simplified approach)	**10,311,326**	**–**	**10,311,326**
Trade receivables	Default	Lifetime ECL – credit impaired	**7,001**	**(7,001)**	**–**
Bills receivables (note 2)	Performing	12-month ECL	**11,139,775**	**–**	**11,139,775**
Other receivables	Performing	12-month ECL	**1,440,898**	**–**	**1,440,898**
Other receivables	Doubtful	Lifetime ECL – not credit impaired	**223,909**	**(13,856)**	**210,053**
Other receivables	Default	Lifetime ECL – credit impaired	**26,844**	**(26,844)**	**–**
Loan to an associate	Performing	12-month ECL	**2,000,000**	**–**	**2,000,000**
				(47,701)	

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

For the year ended 31 December 2018

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables (note 1)	Performing	Lifetime ECL (simplified approach)	6,750,578	–	6,750,578
Trade receivables	Default	Lifetime ECL – credit impaired	6,725	(6,725)	–
Bills receivables (note 2)	Performing	12-month ECL	11,726,626	–	11,726,626
Other receivables	Performing	12-month ECL	1,765,654	–	1,765,654
Other receivables	Doubtful	Lifetime ECL – not credit impaired	324,166	(14,736)	309,430
Other receivables	Default	Lifetime ECL – credit impaired	23,722	(23,722)	–
				(45,183)	

Notes:

1. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors are credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.

2. The credit risk on bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the impairment provision recognised during the year was limited to 12-month ECL.

48. FINANCIAL INSTRUMENTS (Continued)

(d) Credit risk (Continued)

The Group has concentration of credit risk as 9% (2018: 17%) and 43% (2018: 44%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group has concentration of credit risk in respect of bank's acceptance bills receivable as the Group's largest bills receivable from bank represented 17% (2018: 21%) of the total bills receivable as at 31 December 2019. In addition, the Group's bills receivable from the top five major banks represented 59% (2018: 41%) of the total bills receivable as at 31 December 2019.

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

(e) Liquidity risk management

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

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

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

48. FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk management (Continued)

	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019							
Non-derivative financial liabilities							
Fixed-rate bank borrowings	9,619,807	9,646,986	402,678	13,093	–	19,682,564	19,023,340
Floating-rate bank borrowings	7,103,956	3,968,252	1,414,170	498,756	2,801,801	15,786,935	13,551,137
Fixed-rate other borrowing	49,680	1,399,955	–	–	–	1,449,635	1,391,446
Medium-term debentures and bonds	1,192,103	2,699,190	26,291,198	15,300,460	–	45,482,951	40,025,013
Trade and bills payables	18,215,656	–	–	–	–	18,215,656	18,215,656
Other payables	9,846,705	–	–	–	–	9,846,705	9,846,705
Lease liabilities	16,073	16,073	19,431	11,399	51,529	114,505	90,733
Guaranteed notes	124,829	126,898	251,726	3,704,763	–	4,208,216	3,457,313
Convertible bonds	42,571	43,277	85,848	1,795,051	–	1,966,747	1,150,555
	46,211,380	17,900,631	28,465,051	21,323,522	2,853,330	116,753,914	106,751,898

	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 2018							
Fixed-rate bank borrowings	3,827,181	2,627,440	6,999,171	404,125	14,427	13,872,344	13,096,540
Floating-rate bank borrowings	7,529,188	6,116,350	834,603	2,323,666	1,698,215	18,502,022	17,100,998
Fixed-rate other borrowing	50,825	51,668	1,442,667	–	–	1,545,160	1,366,569
Short-term debentures and notes	4,050,267	–	–	–	–	4,050,267	4,000,000
Medium-term debentures and bonds	1,080,872	1,098,787	3,666,988	41,552,461	–	47,399,108	42,830,014
Trade and bills payables	16,661,437	–	–	–	–	16,661,437	16,661,437
Other payables	9,612,324	–	–	–	–	9,612,324	9,612,324
Guaranteed notes	3,151,464	–	–	–	–	3,151,464	3,078,664
Convertible bonds	40,343	41,011	81,354	1,782,430	–	1,945,138	1,012,052
	46,003,901	9,935,256	13,024,783	46,062,682	1,712,642	116,739,264	108,758,598

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.

48. FINANCIAL INSTRUMENTS (Continued)

(f) Fair value measurements of financial instruments

Fair value measurement recognised in the consolidated statement of financial position

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

	31 December 2019			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Collective investment trust	–	2,005	–	2,005
Derivative financial assets				
– Capped forward contract	–	819	–	819
Financial assets at FVTOCI				
Listed equity instrument	289,339	–	–	289,339
	289,339	2,824	–	292,163
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	–	279,937	–	279,937
Derivative financial assets				
– Interest rate swap contracts	–	3,300	–	3,300
	–	283,237	–	283,237

	31 December 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTOCI				
Listed equity instrument	908,170	–	–	908,170
Financial liabilities at FVTPL				
Derivatives component of convertible bonds	–	415,195	–	415,195

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

48. FINANCIAL INSTRUMENTS (Continued)

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

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

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 31.12.2019 RMB'000	31.12.2018 RMB'000	Valuation technique and key inputs
Financial asset at FVTOCI	Level 1	**289,339**	908,170	Quoted bid prices in an active market
Capped forward contract	Level 2	**819**	–	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	**3,300**	–	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties)
Redemption option derivative of convertible bonds	Level 3	**128,516**	161,740	Binomial option pricing model: Key inputs: risk free rate of 1.59% (2018: 2.45%), and effective interest rate of 8.86% (2018: 8.97% and volatility of 41.71% (2018: 55.54%)
Conversion option derivative of convertible bonds	Level 3	**151,421**	253,455	Binomial option pricing model: Key inputs: risk free rate 1.59% (2018: 2.45%), and effective interest rate of 8.86% (2018: 8.97%) and volatility of 41.71% (2018: 55.54%)
Financial asset at FVTPL	Level 3	**2,005**	–	Market multiples – Based on average P/E multiple peers and discount for lack of marketability

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.

48. FINANCIAL INSTRUMENTS (Continued)

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

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

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

	31 December 2019		31 December 2018	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial liabilities				
Listed				
Medium-term bonds due after one year	**24,198,294**	**24,182,540**	25,889,594	25,774,590
Unlisted				
Medium-term bonds due after one year	**14,330,935**	**13,845,774**	15,187,663	15,104,037
Bank borrowings – due after one year	**3,519,628**	**3,460,646**	11,263,803	11,161,195
Other borrowings – due after one year	**–**	**–**	1,366,569	1,314,795
Liability component of convertible bonds	**1,150,555**	**1,143,260**	1,012,052	1,002,270

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

	As at 31 December 2019			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	**24,182,540**	**–**	**–**	**24,182,540**
Medium-term bonds due after one year – unlisted	**–**	**13,845,774**	**–**	**13,845,774**
Bank borrowings – due after one year	**–**	**3,460,646**	**–**	**3,460,646**
Liability component of convertible bonds	**–**	**1,143,260**	**–**	**1,143,260**
	24,182,540	**18,449,680**	**–**	**42,632,220**

48. FINANCIAL INSTRUMENTS (Continued)

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

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

	As at 31 December 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial liabilities at amortised cost:				
Medium-term bonds due after one year – listed	25,774,590	–	–	25,774,590
Medium-term bonds due after one year – unlisted	–	15,104,037	–	15,104,037
Bank borrowings – due after one year	–	11,161,195	–	11,161,195
Other borrowing – due after one year	–	1,314,795		1,314,795
Liability component of convertible bonds	–	1,002,270	–	1,002,270
	25,774,590	28,582,297	–	54,356,887

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair value of listed medium-term bonds due after one year is included in Level 1 of the fair value hierarchy. The fair value of the financial liabilities included in Level 1 above has been determined using the quoted bid prices in an active market.

- The fair value of unlisted medium-term bonds, guaranteed notes, other borrowing and bank borrowings due after one year and liability component of convertible bonds are included in Level 2 of the fair value hierarchy. The fair values of the financial liabilities included in the Level 2 category above have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

49. ACQUISITION OF A SUBSIDIARY

On 31 March 2019, the Group acquired 100% of the equity interest in Hongbo Aluminum Industry Technology Company Limited * ("Hongbo Aluminum Industry") 濱州鴻博鋁業科技有限公司 from Boxing Ruifeng Aluminum Plate Company Limited * 博興縣瑞豐鋁板有限公司, an independent third party, for a consideration of approximately RMB147,666,000. Approximately RMB92,166,000 of the consideration has been paid during current year. The remaining balance of RMB55,500,000 will be settled on 30 June 2020. This acquisition has been accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB3,282,000. Hongbo Aluminum Industry is engaged in the manufacture and sales of aluminum fabrication. Hongbo Aluminum Industry was acquired so as to continue the expansion of the Group's aluminum products operations.

Consideration of the acquisition:

	RMB'000
Cash consideration	147,666
Less: cash consideration paid	(92,166)
Consideration payable (included in other payables)	55,500

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

	RMB'000
Property, plant and equipment	421,600
Intangible assets	6
Inventories	245,658
Trade receivables	132,241
Bill receivables	7,715
Prepayments and other receivables	99,661
Cash and cash equivalents	8,766
Trade payables	(328,862)
Other payables and accruals	(435,745)
Income tax payable	(92)
	150,948

Acquisition-related costs amounting to RMB240,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

49. ACQUISITION OF A SUBSIDIARY (Continued)

Gain on bargain purchase:

	RMB'000
Consideration of the acquisition	147,666
Less: net assets acquired	(150,948)
Gain on bargain purchase	3,282

Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	147,666
Less: cash and cash equivalent acquired	(8,766)
consideration payable	(55,500)
Net cash outflow on acquisition	83,400

Included in the profit for the year is approximately a loss of approximately RMB26,402,000, attributable to the additional business generated by Hongbo Aluminum Industry. Revenue for the year ended 31 December 2019 includes approximately RMB803,292,000 generated from Hongbo Aluminum Industry.

Had the acquisition been completed on 1 January 2019, total revenue of the Group for the year ended 31 December 2019 would have been approximately RMB84,495,325,000 and profit for the year would have been approximately RMB6,418,915,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

* The English translation is for reference only

50. DISPOSAL OF A SUBSIDIARY

On 30 June 2018, Zhanhua Huihong an indirect wholly-owned subsidiary of the Company, disposed of the entire issued share capital of Zhanhua Maohong New Material Company Limited* ("Zhanhua Maohong New Material") 濱州市沾化區茂宏新材料有限公司, a company directly wholly-owned by Zhanhua Huihong, to an independent third party at a cash consideration of RMB2,950,000,000. RMB1,475,000,000 of the consideration was received during the year ended 31 December 2018. The remaining balances of RMB590,000,000 and RMB885,000,000 were settled on 30 June 2019 and 31 December 2019 respectively. The fair value of the consideration is assessed at net present value and discounted by weighted averaged borrowing costs of the Group.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	3,182,302
Other receivables	298,828
Cash and cash equivalents	1,000
Net assets disposed of	3,482,130

Loss on disposal of a subsidiary

	RMB'000
Consideration received and receivable	2,833,358
Net assets disposed of	(3,482,130)
Loss on disposal of a subsidiary	(648,772)

Consideration of the disposal

	RMB'000
Consideration of the disposal	2,833,358
Imputed interest on unsettled consideration	116,642
Less: cash consideration received	(2,950,000)
	–

Net cash inflow arising on disposal

	As at 31 December 2018 RMB'000
Cash consideration received	1,475,000
Less: cash and cash equivalents disposed of	(1,000)
	1,474,000

* The English translation is for reference only

51. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

Acquisition of additional interest in subsidiaries

a) On 8 October 2019, the Group acquired an additional 40% issued shares of Shanghai Helu Equity Investment Company Limited* ("Shanghai Helu Equity Investment") 上海和魯股權投資管理有限公司, increasing its ownership interest to 100%. Cash consideration of RMB24,048,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Shanghai Helu Equity Investment was approximately RMB70,187,000. A schedule of the effect of acquisition of additional interest is as follow:

	2019 **RMB'000**
Carrying amount of non-controlling interest acquired	**28,075**
Consideration paid for acquisition of additional interest in Shanghai Helu Equity Investment	**(24,048)**
Difference recognised in retained earnings within equity	**4,027**

b) On 26 September 2019, the Group acquired an additional 10% issued shares of Chongqing Weiqiao, increasing its ownership interest to 65%. Cash consideration of RMB51,922,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao was approximately RMB532,700,000. A schedule of the effect of acquisition of additional interest is as follow:

	2019 **RMB'000**
Carrying amount of non-controlling interest acquired	**53,270**
Consideration paid for acquisition of additional interest in Chongqing Weiqiao	**(51,922)**
Difference recognised in retained earnings within equity	**1,348**

* The English translation is for reference only

52. 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:

	2019 **RMB'000**	2018 RMB'000
Restricted bank deposits (note 32)	**1,423,967**	1,256,474
Property, plant and equipment (note 17)	**11,121,259**	9,282,147
Right-of-use assets (note 18)	**300,980**	–

53. LEASE COMMITMENTS

The Group as lessee

	31.12.2018 RMB'000
Minimum lease payments paid under operating leases for premises	11,621

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2018 RMB'000
Within one year	8,672
In the second to fifth year inclusive	20,986
Over five years	48,958
	78,616

As at 31 December 2018, operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years to twenty five years and rentals are fixed for an average term of two years to twenty five years.

The Group is the lessee in respect of a number of properties which the leases were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 4, and the details regarding the Group's future lease payments are disclosed in note 18.

The Group as lessor

As at 31 December 2018, the Group had contracted with tenants for the following future minimum lease payments:

	31.12.2018 RMB'000
Within one year	12,083
In the second to fifth year inclusive	13,714
	25,797

54. COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided	**2,292,296**	794,563

55. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group has the following related parties transactions.

(a) During the reporting period, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Weiqiao Chuangye	note iii
Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") 濱州魏橋科技工業園有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Minghong Textile Technology Company Limited ("Ming Hong Textile") 山東銘宏紡織科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Zouping Weiqiao Recycling Resources Co.,Ltd ("Zouping Weiqiao") 鄒平魏橋再生資源利用有限公司 (note i)	Controlled by Weiqiao Chuangye
Caseman Qinhuangdao Auto Parts Manufacturing Co., Ltd. ("Caseman") 凱斯曼秦皇島汽車零部件製造有限公司	Controlled by CITIC Group Corporation (note ii)
CITIC Trust Co., Ltd. ("CITIC Trust") 中信信托有限責任公司	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank International ("CITIC Bank") 中信銀行(國際)有限公司	Controlled by CITIC Group Corporation (note ii)
China CITIC Bank 中信銀行股份有限公司 ("China CITIC Bank")	Controlled by CITIC Group Corporation (note ii)
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
PT. Harita Jayaraya ("Harita Jayaraya")	note iv
PT. Cita Mineral Investindo, Tbk.	note iv
PT. Lima Srikandi Jaya	Controlled by Harita Jayaraya
PT. Mitra Kemakmuran Line	Controlled by 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	An associate of Weiqiao Chuangye
Innovation Carbon New Material	An associate of a wholly-owned subsidiary of the Company
ABM	An associate of a wholly-owned subsidiary of the Company
GTS	An associate of a wholly-owned subsidiary of the Company
WAP	An associate of a wholly-owned subsidiary of the Company
SMB	An associate of a wholly-owned subsidiary of the Company
Binneng Energy	An associate of a wholly-owned subsidiary of the Company

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

i. The English names of the above companies are for reference only.

ii. CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 shares of the Company, representing 10.23% of the total issued shares of the Company, are both indirect subsidiaries of CITIC Group Corporation and therefore CITIC Group Corporation is a connected person of the Group.

iii. Mr. Zhang Bo, the director of the Company, has a significant non-controlling beneficial interest in Weiqiao Chuangye, and is also the director of Weiqiao Chuangye.

iv. Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Group.

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

	Notes	**2019 RMB'000**	2018 RMB'000
Purchases of water			
Jinsha Water Supply	(b)	**(19,160)**	(14,269)
Weiqiao Chuangye	(b)	**(44,623)**	–
Industrial waste expenses			
Beihai Solid Waste	(b)	**(169,814)**	–
Purchases of bauxite			
ABM	(a)	**–**	(685,170)
GTS	(a)	**(12,330,052)**	(9,360,681)
PT. Cita Mineral Investindo, Tbk.	(b)	**(237,072)**	–
Purchase of electricity			
Binneng Energy	(a)	**(2,266,852)**	–
Purchases of anode carbon block			
Innovation Carbon New Material	(a)	**(248,095)**	–
Sales of steam			
Binzhou Industrial Park	(b)	**17,518**	22,794
Ming Hong Textile	(b)	**3,797**	4,682
Binzhou Investment	(a)	**21,087**	19,845
Sales of electricity			
Innovation Carbon New Material	(a)	**5,528**	3,542
Beihai Solid Waste	(a)	**–**	91

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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

	Notes	2019 RMB'000	2018 RMB'000
Sales of molten aluminum alloy			
Caseman	(b)	**2,890,663**	1,848,553
Legal and professional fee			
Shandong Ruixin	(a)	**(4,767)**	(5,004)
Sales of raw materials			
Zouping Weiqiao	(a)	**–**	129
Beihai Solid Waste	(a)	**575**	–
Lease payment			
Weiqiao Chuangye	(a), (c)	**(2,614)**	(2,375)
PT. Lima Srikandi Jaya	(b), (e)	**(29)**	–
Harita Jayaraya	(b), (d)	**(1,410)**	–
PT. Mitra Kemakmuran Line	(b), (e)	**(133)**	–
PT. Antar Sarana Rekasa	(b), (e)	**(8,715)**	–
Bank interest income			
China CITIC Bank	(a)	**569**	479
Interest income from an associate			
Binneng Energy	(a)	**62,000**	–
Interest expenses on bank borrowings			
CITIC Bank	(a)	**97,944**	67,582
China CITIC Bank	(a)	**370,233**	171,698
Purchases of collective investment trust			
CITIC Trust	(b)	**(1,100,000)**	–
Investment income			
CITIC Trust	(b)	**2,026**	–

Notes:

(a) The related party transactions in respect of (a) above do not constitute continuing connected transactions or connected transactions as defined in Chapter 14A of the Listing Rules, or to be exempted from the disclosure requirements in Chapter 14A of the Listing Rules.

(b) The related party transactions in respect of (b) above constitute continuing connected transactions or connected transactions under Chapter 14A of the Listing Rules and the disclosures required by Chapter 14A of the Listing Rules are provided in the 'Report of the Directors' section to the annual report.

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes: (Continued)

(c) In 2018, the Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB44,236,000.

(d) During the year, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. At the commencement date of the lease, the Group recognised a right-of-use asset and a lease liability of approximately RMB2,255,000. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB1,124,000.

(e) During the year, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. At the commencement date of the leases, the Group recognised right-of-use assets and lease liabilities of approximately RMB21,899,000. As at 31 December 2019, the carrying amount of such lease liabilities is approximately RMB16,706,000.

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

	2019 RMB'000	2018 RMB'000
Bank balances		
CITIC Bank (note i)	**194,744**	93,963
China CITIC Bank (note ii)	**95,075**	78,119
Bank borrowings		
CITIC Bank (notes iii and v)	**(732,501)**	(2,335,191)
China CITIC Bank (notes iv and v)	**(6,435,000)**	(7,180,666)
Loans to associates		
ABM	**767,382**	754,952
Binneng Energy	**2,000,000**	–
Trade payables		
GTS	**(127,236)**	(264,647)
Innovation Carbon New Material	**(76,031)**	–
Jinsha Water Supply	**(2,624)**	(424)
Weiqiao Chuangye	**(11,292)**	–
PT. Cita Mineral Investindo, Tbk.	**(38,942)**	–

55. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

	2019 RMB'000	2018 RMB'000
Trade receivables		
Binzhou Investment	–	4,563
Ming Hong Textile	114	102
Zouping Weiqiao	–	129
Receivables from financial institution		
CITIC Trust	1,000,000	–
Financial assets at FVTPL		
CITIC Trust	2,005	–
Prepayment		
Jinsha Water Supply	–	7,837
Binneng Energy	2,438,457	–
Contract liabilities		
Caseman	(19,928)	(17,143)

Notes:

i. The bank balances of CITIC Bank were interest-free.

ii. The bank balances of China CITIC Bank were interest bearing at normal interest rate of 0.3% per annum for the years ended 31 December 2019 and 2018.

iii. The bank borrowings of CITIC Bank were interest bearing at normal interest rates range from 5.9% to 6.5% per annum for the years ended 31 December 2019 and 2018.

iv. The bank borrowings of China CITIC Bank was interest bearing at normal interest rate of 4.32% to 5.25% per annum for the years ended 31 December 2019 and 2018.

v. The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, however, they are fully exempt from the disclosure requirements in Chapter 14A.90 of the Listing Rules as the transaction terms are in normal commercial terms and are not secured by assets of the Group.

(b) Compensation of key management personnel

	2019 RMB'000	2018 RMB'000
Short term employee benefit	4,798	5,803
Retirement benefits scheme contributions	64	68
	4,862	5,871

Further details of the directors' and chief executive's emoluments are included in note 13 to the consolidated financial statements.

55. 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:

	2019 RMB'000	2018 RMB'000
Weiqiao Chuangye	299,000	299,000

56. 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 2019, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB214,394,000 (2018: RMB142,303,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

57. LITIGATION

In prior years, a lawsuit was filed by a total of 115 engineering staff against Beihai Xinhe in respect of a dispute in the labor service fee between the 115 engineering staff and Beihai Xinhe. Beihai Xinhe had no direct relationship with those individuals but acted as the main contractor for a construction project. In 2016, Beihai Xinhe received a civil order issued by the Zhang Yuan Xian District Court, which accepted the application by the 115 engineering staff for property attachment prior to lawsuit to freeze Beihai Xinhe's bank accounts in an aggregate amount of approximately RMB15,560,000. In connection with the lawsuit, five of Beihai Xinhe's bank accounts with an aggregate amount of approximately RMB5,564,000 was frozen as at 31 December 2017. On 24 October 2018, the Higher People's Court of Henan Xinxiang (the "the Higher People's Court") ordered The No. 4 Metallurgical Construction Company of China Limited to settle the labour service fee of the 115 engineering staff. As at 31 December 2019 and 2018, the directors of the Company considered that no provision was required be made in the consolidated financial statements after the consideration of the Higher People's Court order issued on 24 October 2018 and the legal opinion obtained from the Company's legal counsel.

China Sixth Metallurgical Construction Co., Ltd.* ("China Sixth Metallurgical") 中國有色金屬工業第六冶金建設有限公司, a subsidiary of China Aluminum International Engineering Corporation Limited* 中鋁國際工程股份有限公司, has prosecuted the Group in November 2019 in relation to default of construction cost and relevant interest expenses in aggregation of approximately RMB224,880,000. The litigation involved four construction contracts which covered the period from April 2012 to June 2016 and January 2015 to January 2017 respectively. Such cases have been accepted by the local courts in December 2019 and the Group has negotiated with China Sixth Metallurgical for possible settlement. Subsequently in January 2020, China Sixth Metallurgical cancelled the prosecutions against the Group and the directors of the Company estimated the Group has approximately RMB60,000,000 to China Sixth Metallurgical as an out of court settlement.

58. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2019 RMB'000	Financing cash flows RMB'000	Non-cash changes: Adoption of IFRS16 RMB'000	Non-cash changes: Finance costs incurred RMB'000	Non-cash changes: Foreign exchange movements RMB'000	Non-cash changes: Fair value change RMB'000	31 December 2019 RMB'000
Bank borrowings	**30,197,538**	**2,342,059**	**–**	**–**	**34,880**	**–**	**32,574,477**
Other borrowing	**1,366,569**	**–**	**–**	**–**	**24,877**	**–**	**1,391,446**
Lease liabilities	**–**	**(26,192)**	**112,608**	**3,481**	**836**	**–**	**90,733**
Liability component of CBs	**1,012,052**	**–**	**–**	**123,347**	**15,156**	**–**	**1,150,555**
Derivatives component of CBs	**415,195**	**–**	**–**	**–**	**5,300**	**(140,558)**	**279,937**
Short-term debentures and notes	**4,000,000**	**(4,000,000)**	**–**	**–**	**–**	**–**	**–**
Medium-term debentures and bonds	**42,830,014**	**(3,212,636)**	**–**	**407,635**	**–**	**–**	**40,025,013**
Guaranteed notes	**3,078,664**	**351,421**	**–**	**22,405**	**4,823**	**–**	**3,457,313**
Interest payable	**1,778,752**	**(4,779,292)**	**–**	**4,662,727**	**–**	**–**	**1,662,187**
	84,678,784	**(9,324,640)**	**112,608**	**5,219,595**	**85,872**	**(140,558)**	**80,631,661**

	1 January 2018 RMB'000	Financing cash flows RMB'000	Non-cash changes: Issue of shares upon conversion of convertible bonds RMB'000	Non-cash changes: Finance costs incurred RMB'000	Non-cash changes: Foreign exchange movements RMB'000	Non-cash changes: Fair value change RMB'000	31 December 2018 RMB'000
Bank borrowings	20,054,751	10,070,407	–	–	72,380	–	30,197,538
Other borrowing	–	1,366,569	–	–	–	–	1,366,569
Liability component of CBs	1,095,225	–	(248,367)	98,971	66,223	–	1,012,052
Derivatives component of CBs	991,660	–	(224,881)	–	46,099	(397,683)	415,195
Short-term debentures and notes	3,000,000	953,965	–	46,035	–	–	4,000,000
Medium-term debentures and bonds	43,468,056	(731,768)	–	93,726	–	–	42,830,014
Guaranteed notes	1,957,399	989,278	–	17,500	114,487	–	3,078,664
Interest payable	1,521,194	(3,919,599)	–	4,177,157	–	–	1,778,752
	72,088,285	8,728,852	(473,248)	4,433,389	299,189	(397,683)	84,678,784

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

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**112**	644
Right-of-use assets		**17,101**	–
Investment in subsidiaries		**11,199,239**	11,199,239
Other receivables		**767,382**	754,952
Amounts due from subsidiaries	(i)	**14,153,063**	16,916,448
Financial assets at fair value through other comprehensive income		**289,339**	908,170
		26,426,236	29,779,453
Current assets			
Trade receivables		**1,639,563**	314,549
Prepayment and other receivables		**1,527**	1,494
Amount due from immediate holding company	(ii)	**27**	–
Other financial asset		**819**	–
Cash and cash equivalents		**284,309**	121,757
		1,926,245	437,800
Current liabilities			
Trade payables		**34,681**	9,030
Other payables		**118,342**	65,454
Lease liabilities		**8,098**	–
Bank borrowings – due within one year		**2,105,577**	2,603,767
Other borrowing – due within one year		**1,391,446**	–
Other financial liabilities		**3,300**	–
Income tax payable		**37,224**	22,959
Guaranteed notes		**–**	3,078,664
		3,698,668	5,779,874
Net current liabilities		**(1,772,423)**	(5,342,074)
Total assets less current liabilities		**24,653,813**	24,437,379
Non-current liabilities			
Lease liabilities		**8,927**	–
Bank borrowings – due after one year		**1,098,461**	2,417,190
Other borrowing – due after one year		**–**	1,366,569
Convertible bonds		**1,150,555**	1,012,052
Guaranteed notes		**3,457,313**	–
Derivative component of convertible bonds		**279,937**	415,195
		5,995,193	5,211,006
Net assets		**18,658,620**	19,226,373
Capital and reserves			
Share capital		**559,090**	566,172
Reserves	(iii)	**18,099,530**	18,660,201
Total equity		**18,658,620**	19,226,373

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

(i) The amounts due from subsidiaries are unsecured, interest-free and repayable after one year. The fair value is estimated at RMB13,700,101,000 (2018: RMB16,916,448,000) by using the effective interest rate of 4.9% per annum.

(ii) The amount due from immediate holding company is unsecured, interest-free and repayable on demand.

(iii) Movement in reserves

	Share premium RMB'000	**Share reserve*** RMB'000	**Accumulated losses** RMB'000	**Total** RMB'000
At 1 January 2018	14,946,158	3,193,854	(3,400,601)	14,739,411
Profit and total comprehensive income for the year	–	–	734,591	734,591
Issue of shares	5,079,271	–	–	5,079,271
Transaction costs attributable to issue of shares	(60,822)	–	–	(60,822)
Issue of shares upon conversion of convertible bonds	468,753	–	–	468,753
Dividend paid	–	–	(1,697,064)	(1,697,064)
Share repurchase and cancelled	(603,939)	–	–	(603,939)
At 31 December 2018 and 1 January 2019	**19,829,421**	**3,193,854**	**(4,363,074)**	**18,660,201**
Profit and total comprehensive income for the year	**–**	**–**	**1,764,729**	**1,764,729**
Dividend paid	**–**	**–**	**(1,807,631)**	**(1,807,631)**
Share repurchased and cancelled	**(517,769)**	**–**	**–**	**(517,769)**
At 31 December 2019	**19,311,652**	**3,193,854**	**(4,405,579)**	**18,099,530**

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

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly				
				2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	
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 International Trading Limited	Hong Kong	Ordinary Shares	HK$10,000,000	-	–	100	100	100	100	Trading of bauxite
Shandong Hongqiao (note ii)	PRC	Ordinary Shares	US$1,533,120,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zouping Hongli Thermal Power Co., Ltd.* 鄒平縣宏利熱電有限公司 (note iii)	PRC	Ordinary Shares	RMB1,817,065,373	-	–	100	100	100	100	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 (note iii)	PRC	Ordinary Shares	RMB1,500,000,000	-	–	100	100	100	100	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 (note iii)	PRC	Ordinary Shares	RMB700,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Shandong Weiqiao Aluminum & Power Co., Ltd.* ("Shandong Weiqiao") 山東魏橋鋁電有限公司 (note iii)	PRC	Ordinary Shares	RMB13,000,000,000	-	–	100	100	100	100	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 (note iii)	PRC	Ordinary Shares	RMB8,200,000,000	-	–	100	100	100	100	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 (note iii)	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

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				
				2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	
Zouping Huicai New Material Technology Co., Ltd.* 鄒平縣匯才新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB3,700,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huisheng New Material Technology Co., Ltd.* 鄒平縣匯盛新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB5,900,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huimao New Mateiral Technology Co., Ltd.* 鄒平縣匯茂新材料科技有限公司 (note iii)	PRC	Ordinary Shares	RMB5,500,000,000	-	–	100	100	100	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Huimin Huihong New Material Co., Ltd.* 惠民縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB5,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zhanhua Huihong New Material (note iii)	PRC	Ordinary Shares	RMB3,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Yangxin New Material Co., Ltd.* 陽信縣匯宏新材料有限公司 (note iii)	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Beihai New Material Co., Ltd. * 濱州北海匯宏新材料有限公司 (note iii)	PRC	Ordinary Shares	RMB3,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Hongnuo New Material Co. Ltd.* 濱州市宏諾新材料有限公司 (note iii)	PRC	Ordinary Shares	RMB1,500,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

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				
				2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	
Shandong Hongqiao Financial Leasing Co., Ltd.* 山東宏橋融資租賃有限公司 (note ii)	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 (note iii)	PRC	Ordinary Shares	RMB1,000,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Hongzhan Aluminum Technology Co., Ltd.* 濱州宏展鋁業科技有限公司 (note iii)	PRC	Ordinary Shares	RMB200,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Zouping Hongfa Aluminum Technology Co., Ltd.* 鄒平宏發鋁業科技有限公司 (note iii)	PRC	Ordinary Shares	RMB700,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Shandong Hongbin International Business Co., Ltd.* 山東宏濱國際商貿有限公司 (note iii)	PRC	Ordinary Shares	RMB30,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Binzhou Municipal Beihai Xinhe New Material Co., Ltd.* ("Beihai Xinhe") 濱州市北海信和新材料有限公司 (note iii)	PRC	Ordinary Shares	RMB2,100,000,000	-	–	100	100	100	100	Manufacture and sale of aluminum products
Hongchuang (note i and iii)	PRC	Ordinary Shares	RMB926,400,000	-	–	28.18	28.18	28.18	28.18	Manufacture and sale of aluminum products
Chongqing Weiqiao (note iii)	PRC	Ordinary Shares	RMB500,000,000	-	–	65	55	65	55	Provision of financing

* For identification purpose only.

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Notes:

i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 28.18% equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

ii: The entity is a wholly foreign owned enterprise.

iii: The entity is a wholly-domestic owned enterprise.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The following subsidiaries had issued approximately RMB40,025,013,000 (2018: RMB46,830,014,000) of debt securities at the end of the year:

	Total and held by third parties	
	2019 **RMB'000**	2018 RMB'000
Shandong Hongqiao	**24,177,708**	32,117,123
Shandong Weiqiao	**15,847,305**	14,712,891

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

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

Principal activities	Principal place of business	Number of subsidiaries	
		2019	2018
Sales of aluminum products	The PRC	**14**	4
Sales of metal products	The PRC	**1**	–
Sales of scrap materials	The PRC	**1**	1
Capital investor	The PRC	**1**	1
Various trading business	The PRC	**2**	2
Energy enhancement solution services	The PRC	**1**	2
Delivery service	The PRC	**1**	1
Sales of alumina	Singapore	**1**	1
Sales of alumina	BVI	**1**	1
Sales of alumina	Guinea	**1**	1
Sales of electricity	The PRC	**4**	–
		28	14

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Profit (Loss) attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Hongchuang and its subsidiaries	PRC	**71.82%**	71.82%	**71.82%**	71.82%	**196,604**	(3,228)	**1,168,159**	971,555

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intergroup eliminations.

Hongchuang and its subsidiaries

	2019 RMB'000	2018 RMB'000
Current assets	**1,345,512**	726,338
Non-current assets	**1,348,204**	1,016,662
Current liabilities	**(1,053,679)**	(361,843)
Non-current liabilities	**(13,529)**	(28,394)
Equity attributable to owners of the Company	**458,349**	381,208
Non-controlling interest	**1,168,159**	971,555
Revenue	**2,878,283**	1,521,143
Expenses	**(2,604,538)**	(1,525,638)
Profit (loss) for the year	**273,745**	(4,495)
Profit (loss) attributable to owners of the Company	**77,141**	(1,267)
Profit (loss) attributable to the non-controlling interest	**196,604**	(3,228)
Profit (loss) and total comprehensive income (expenses) for the year	**273,745**	(4,495)
Total comprehensive income (expense) attributable to owners of the Company	**77,141**	(1,267)
Total comprehensive income (expense) attributable to the non-controlling interest	**196,604**	(3,228)
Total comprehensive income (expense) for the year	**273,745**	(4,495)

60. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Hongchuang and its subsidiaries (Continued)

	2019 **RMB'000**	2018 RMB'000
Net cash (outflows) inflows from operating activities	**(112,505)**	20,349
Net cash inflows (outflows) from investing activities	**169,851**	(212,286)
Net cash outflows from financing activities	**(18,054)**	(46,448)
Net cash inflows (outflows)	**39,292**	(238,385)

61. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2019, the Group entered into new arrangements in respect of office premises, factories, crew boats, vessels and crane barges. Right-of-use assets and lease liabilities of RMB112,608,000 were recognised at the commencement of the leases.

62. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Hongxu Power entered into a sales and purchase agreement with an independent third party conditionally agreed to dispose a power unit and its related assets and liabilities located in Zouping, at a cash consideration of RMB3,000,000,000. Details of the disposal are set out in the Company's announcement of the Company dated 18 March 2020.

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