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本公告及有關據此提呈發行票據之任何其他文件或資料並非由英國《二零零零年金融服務與市場法》（經修訂）第21條所界定之認可人士發佈，而有關文件及／或資料亦未經其批准。因此，有關文件及／或資料並不會向英國公眾人士派發，亦不得向英國公眾人士傳遞。有關文件及／或資料僅作為財務推廣向在英國擁有相關專業投資經驗及屬於《二零零零年金融服務與市場法》二零零五年（財務推廣）命令（經修訂）（「**財務推廣命令**」）第19(5)條所界定之投資專業人士，或屬於財務推廣命令第49(2)(a)至(d)條範圍之人士，或根據財務推廣命令可以其他方式合法向其發佈有關文件及／或資料的任何其他人士（所有上述人士統稱為「**有關人士**」）發佈。於英國，據此提呈發售之票據僅針對有關人士作出，而本公告涉及之任何投資或投資活動將僅與有關人士進行。任何在英國並非有關人士之人士不應根據本公告或其任何內容採取行動或加以依賴。



**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**」)日期為二零二四年三月二十五日內容有關票據發行的公告(「**該公告**」)。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票據發行有關的發售備忘錄(「**發售備忘錄**」)，該發售備忘錄已於二零二四年四月一日在新交所網站刊載。

於聯交所網站登載發售備忘錄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。

發售備忘錄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。

發售備忘錄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。不應根據發售備忘錄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，二零二四年四月二日

於本公告日期，董事會包括十二名董事，即執行董事張波先生、鄭淑良女士、張瑞蓮女士及王雨婷女士，非執行董事楊叢森先生、張敬雷先生、涂一鏜先生（張浩先生為其替任董事）及孫冬冬女士，以及獨立非執行董事文獻軍先生、韓本文先生、董新義先生及傅郁林女士。

## IMPORTANT NOTICE

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

**IMPORTANT: You must read the following before continuing.** The following applies to this offering memorandum (the “**Offering Memorandum**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Memorandum. In accessing the Offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

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

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT 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. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

**Confirmation and your representation:** In order to be eligible to view this Offering Memorandum 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 Memorandum, you shall be deemed to have represented to us that (1) 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 (2) that you consent to delivery of such Offering Memorandum by electronic transmission.

**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 (as amended, “**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 (as amended, 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 securities 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 2001 of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer (as defined in the attached Offering Memorandum) has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Securities 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).

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum 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 Memorandum to any other person.

The materials relating to the offering contemplated under the Offering Memorandum 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.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of China CITIC Bank International Limited, Crédit Agricole Corporate and Investment Bank, UBS AG Hong Kong Branch, Barclays Bank PLC, Standard Chartered Bank, CMB International, Deutsche Bank AG, Hong Kong Branch, DBS Bank Ltd., Dragonstone Capital Management Limited, Flow Capital (HK) Limited, BG Securities (HK) Co., Limited, CNCB (Hong Kong) Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Huatai Financial Holdings (Hong Kong) Limited, SunRiver International Securities Group Limited and TFI Securities and Futures Limited as Joint Bookrunners and Joint Lead Managers, or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Joint Bookrunners.

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

*(Incorporated in the Cayman Islands with limited liability)*

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**US\$300,000,000 7.75% Senior Notes due 2025**

**Issue Price: 100%**

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Our 7.75% Senior Notes due 2025 (the “Notes”) will bear interest from March 28, 2024 at 7.75% per annum on September 28, 2024 and March 27, 2025. Unless previously repurchased or redeemed, the Notes will mature on March 27, 2025.

The Notes are unsecured, senior obligations of China Hongqiao Group Limited (the “Company”), guaranteed by certain of our existing subsidiaries organized outside of the PRC (the “Subsidiary Guarantors”). We refer to the guarantees by the Subsidiary Guarantors as “Subsidiary Guarantees.”

Upon the occurrence of a Change of Control (as defined in “Description of the Notes” herein), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

The Notes will be (1) general obligations of the Company, (2) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (3) *pari passu* in right of payment against the Company with the US\$300,000,000 5.25% convertible bonds due 2026 issued by the Company on January 25, 2021 (the “January 2021 CB”) and the US\$500,000,000 6.25% senior notes due June 8, 2024 issued by the Company on June 8, 2021 (the “June 2021 Notes”) and all other unsecured, unsubordinated Indebtedness (as defined in “Description of the Notes” herein) of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (4) guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations described under the caption “Description of the Notes – The Subsidiary Guarantees” and “Risk Factors – Risks Relating to the Subsidiary Guarantees,” (5) effectively subordinated to the secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor and (6) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees. See “Risk Factors – Risks Relating to the Subsidiary Guarantees.”

*For a more detailed description of the Notes, see “Description of the Notes” beginning on page 118.*

**Investing in the Notes involves risks. See “Risk Factors” beginning on page 17.**

Approval in-principle has been received for the listing and quotation of the Notes 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 or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST or quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the Notes or the Subsidiary Guarantees.

The Notes and the Subsidiary Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold by the Initial Purchasers only outside the United States in reliance on Regulation S under the Securities Act (“Regulation S”). For a description of certain restrictions on resale or transfer, see “Transfer Restrictions” beginning on page 188.

It is expected that the delivery of the Notes will be made on or about March 28, 2024 through the book-entry facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) against payment therefor in immediately available funds.

**Lead Global Coordinator**

**China CITIC Bank International**

**Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners**

<b>China CITIC Bank International</b>	<b>Crédit Agricole CIB</b>	<b>UBS</b>	<b>Barclays</b>	<b>Standard Chartered Bank</b>	<b>CMB International Bank</b>
<b>Deutsche Bank</b>	<b>DBS Bank Ltd.</b>	<b>Dragonstone Capital</b>	<b>Flow Capital</b>	<b>BG Securities</b>	

**Joint Lead Managers and Joint Bookrunners**

<b>CNCB Capital</b>	<b>Guotai Junan International</b>	<b>Haitong International</b>	<b>Huatai International</b>	<b>SunRiver International Securities Group Limited</b>	<b>TF International</b>
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Offering memorandum dated March 25, 2024.

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## NOTICE TO INVESTORS

This offering memorandum does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. In addition, there may be legal restrictions on the distribution of this offering memorandum and the offering of the Notes in certain jurisdictions. If you come into possession of this offering memorandum, China CITIC Bank International Limited, Crédit Agricole Corporate and Investment Bank, UBS AG Hong Kong Branch, Barclays Bank PLC, Standard Chartered Bank, CMB International, Deutsche Bank AG, Hong Kong Branch, DBS Bank Ltd., Dragonstone Capital Management Limited, Flow Capital (HK) Limited, BG Securities (HK) Co., Limited, CNCB (Hong Kong) Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Huatai Financial Holdings (Hong Kong) Limited, SunRiver International Securities Group Limited and TFI Securities and Futures Limited (collectively, the “**Initial Purchasers**,” and each, an “**Initial Purchaser**”) and we require you inform yourself about any such restrictions. See “Plan of Distribution” and “Transfer Restrictions” below. Neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this offering memorandum or that the information contained in this offering memorandum is correct as of any time after that date.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the 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 Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes 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 Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the 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 (as amended, “**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 (as amended, the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

### **Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors:**

Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Joint Lead Managers, are “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain

obligations the SFC Code imposes on such CMI, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“OCs”) for this offering and are subject to additional requirements under the SFC Code.

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

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

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

**Singapore Securities and Futures Act Product Classification** – In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer (as defined in the attached Offering Memorandum) has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA) that the Securities 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).

IN CONNECTION WITH THIS OFFERING, EACH INITIAL PURCHASER, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY



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

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

This offering memorandum is highly confidential. We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this offering memorandum before making a decision whether to purchase the Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

We have prepared this offering memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “Transfer Restrictions” below.

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

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or the Agents or any person affiliated with the Initial Purchasers, the Trustee or the Agents in connection with any investigation of the

accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes or the Subsidiary Guarantees (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of us and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us, the Initial Purchasers, the Trustee or the Agents.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes, including the Subsidiary Guarantees, in any jurisdiction except where an offer or sale is permitted. The distribution of this offering memorandum and the offering of the Notes, including the Subsidiary Guarantees, may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes, including the Subsidiary Guarantees, and distribution of this offering memorandum, see the sections entitled "Transfer Restrictions" and "Plan of Distribution" below.

This offering memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

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

## ENFORCEABILITY OF CIVIL LIABILITIES

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

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view towards developing a comprehensive system of commercial law. In particular, legislation over the past 30 years has 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) entertain original actions brought in the Cayman Islands 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, Eversheds Sutherland, that Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court and seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for debt or a definite sum of money and is final and conclusive on the merits. In addition, the Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- (a) was obtained by fraud;
- (b) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (c) is contrary to public policy or natural justice;
- (d) is based on foreign penal, revenue or other public law; or
- (e) falls within Section 3(1) of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this offering memorandum, all references to “we,” “us,” “our Company” and “Group” refer to China Hongqiao Group Limited and, as the context requires, its subsidiaries; all references to “our IPO” mean our initial public offering of our Shares by way of listing 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 Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.

Solely for your convenience, this offering memorandum 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 RMB7.2513 to US\$1.00 (the noon buying rate in New York City on June 30, 2023 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 memorandum. All such translations in this offering memorandum 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 memorandum may not correspond to the financial statements included elsewhere in this offering memorandum or may not add up due to rounding. For further information relating to the exchange rates, see “Exchange Rate Information” in this offering memorandum.

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.

The market data, certain industry forecasts and statistics set forth in this offering memorandum relating to the global and PRC markets and the aluminum industry were taken or derived from various government and private publications. None of us, the Initial Purchasers, the Trustee and the Agents make any representation as to and to the fullest extent permitted by law, assume any responsibility for the accuracy and reliability of such statistics, which 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.

## FORWARD-LOOKING STATEMENTS

This offering memorandum 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 memorandum, 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 memorandum 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 memorandum might not occur. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set out in this section.

## DEFINITIONS

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

- “2016 Negative Report” . . . . . The negative report against our Company published by a website (<http://hongqiaosexposed.com>) with unknown origins in November 2016.
- “2017 Negative Reports” . . . . . The First 2017 Negative Report and the subsequent negative reports against our Company published by Emerson Analytics Co. Ltd. dated October 30, 2017 and November 14, 2017.
- “Aluminum & Power” . . . . . 山東魏橋鋁電有限公司 (Shandong Weiqiao Aluminum and Power Co., Ltd.), a limited liability company incorporated under the laws of the PRC on December 25, 2002 and an indirect subsidiary of our Company.
- “Antaike” . . . . . 北京安泰科信息股份有限公司 (Beijing Antaike Information Co., Ltd.), an independent specialist market research company engaged by the Company.
- “Audit Findings” . . . . . The audit findings set out in the letter sent from Ernst & Young on February 28, 2017 after Ernst & Young carried out additional audit procedures for the year ended December 31, 2016.
- “Board of Directors” or  
“Board”. . . . . Our board of Directors.
- “BVI” . . . . . The British Virgin Islands.
- “CAGR” . . . . . Acronym for compound annual growth rate.
- “Chuangye Group” . . . . . 山東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 April 14, 1998, the name of which was changed in 2003 from 山東魏橋紡織集團有限公司 (Shandong Weiqiao Textile Group Company Limited), a limited liability company converted from its predecessor, 鄒平縣位橋棉紡織廠 (Zouping County Weiqiao Cotton Spinning Factory). As of June 30, 2023, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong, together with their family members, in aggregate held approximately 36.70% of the equity interest in Chuangye Group.
- “Company”, the “Issuer”  
or “our Company” . . . . . China Hongqiao Group Limited, a company incorporated on February 9, 2010 as an exempted company with limited liability under the laws of the Cayman Islands.
- “Controlling Shareholders” . . . . . Has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong (who are acting in concert), Shiping Prosperity Private Trust Company, and Hongqiao Holdings who in aggregate control the exercise of approximately 64.22% of the voting rights in a general meeting of our Company as of the date of this offering memorandum.
- “Director(s)” . . . . . The director(s) of our Company.



“EIT Law” . . . . .	The PRC Enterprise Income Tax Law passed by the National People’s Congress of the PRC on March 16, 2007, which took effect on January 1, 2008, as amended, supplemented and otherwise modified from time to time.
“First 2017 Negative Report” . . . . .	The negative report against our Company published by Emerson Analytics Co. Ltd. dated February 28, 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 January 24, 2007, which is an independent third party.
“Group”, “our Group”, “we” or “us” . . . . .	Our Company and the subsidiaries or any of them, or where the context requires, in respect of the period before our Company became a holding company of the present subsidiaries, the present subsidiaries of our Company.
“Guinea” . . . . .	The Republic of Guinea.
“Hong Kong” or “HK” . . . . .	The Hong Kong Special Administrative Region of the PRC.
“Hong Kong Stock Exchange” . . . . .	The Stock Exchange of Hong Kong Limited.
“Hongqiao Holdings” . . . . .	China Hongqiao Holdings Limited (中國宏橋控股有限公司), a company incorporated in the BVI with limited liability on February 5, 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 February 18, 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 February 5, 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 April 11, 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 December 6, 2011 and an indirect subsidiary of our Company.
“Indonesia” . . . . .	The Republic of Indonesia.

“Indonesian Alumina Joint Venture Company” . . . .	PT. Well Harvest Winning Alumina Refinery, a limited liability company established and existing under the laws of Indonesia and domiciled in Central Jakarta pursuant to a joint venture agreement entered into on December 27, 2012 by the Company, Winning Investment, PT. Cita and PT. Danpac with a total planned investment of not more than US\$1.5 billion and in which the Group holds a 61% interest directly and indirectly.
“January 2021 CB” . . . . .	The US\$300,000,000 5.25% convertible bonds due 2026 issued by the Company on January 25, 2021.
“June 2021 Notes” . . . . .	The 6.25% senior notes issued by the Company on June 8, 2021 in the aggregate principal amount of US\$500,000,000, which will mature on June 8, 2024.
“Listing Rules” . . . . .	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 the late Mr. Zhang Shiping, the mother of Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong and the mother-in-law of Mr. Yang Congsen.
“NDRC” . . . . .	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the PRC).
“Negative Reports” . . . . .	2016 Negative Report and 2017 Negative Reports.
“People’s Congress” . . . . .	The PRC’s legislative apparatus, including the National People’s Congress of the PRC and all the local people’s congresses (including provincial, municipal and other regional or local people’s congresses) as the context may require, or any of them.
“PRC government” or “State” . . . . .	The government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities).
“PT. Cita” . . . . .	PT. Cita Mineral Investindo Tbk., a company duly organized and existing under the laws of Indonesia.
“PT. Danpac” . . . . .	PT. Danpac Resources Kalbar, a company duly organized and existing under the laws of Indonesia.
“PT. Well Harvest Winning Alumina Refinery” . . . . .	PT. Well Harvest Winning Alumina Refinery, a limited liability company established and existing under the laws of Indonesia and domiciled in Central Jakarta.
“SAFE” . . . . .	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC).

“SFO” . . . . .	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time.
“Shandong Hongqiao” . . .	山東宏橋新型材料有限公司 (Shandong Hongqiao New Material Co., Ltd., previously known as 山東位橋染織有限公司 (Shandong Weiqiao Dyeing Company Limited)), a limited liability company established in the PRC on July 27, 1994 and an indirect subsidiary of our Company.
“Share(s)” . . . . .	Ordinary share(s) with a nominal or par value of US\$0.01 each in the share capital of our Company.
“Shareholder(s)” . . . . .	Holder(s) of our Shares.
“State Council” . . . . .	中華人民共和國國務院 (State Council of the PRC).
“United States” or “U.S.”	The United States of America, including the District of Columbia, its territories and possessions.
“Securities Act” . . . . .	The U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.
“VAT” . . . . .	Value-added tax; all amounts are exclusive of VAT in this offering memorandum except as indicated otherwise.
“Winning Investment” . . .	Winning Investment (HK) Company Limited, a company duly organized and existing under the laws of Hong Kong.
“Zhengtong” . . . . .	濱州市政通新型鋁材有限公司 (Binzhou Zhengtong New Aluminum Profiles Co., Ltd.), a limited liability company, which was established in the PRC on May 20, 2008 and is an indirect subsidiary of our Company.
“%” . . . . .	Per cent.

## GLOSSARY

*This glossary contains explanations of certain technical terms and abbreviations used in this offering memorandum 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 Notes. You should read the entire offering memorandum, 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 June 30, 2023, we were the second largest aluminum manufacturer in China in terms of aggregate annual aluminum production capacity, according to Antaike. We have vertically integrated operations that encompass the entire aluminum industry value chain consisting of production facilities for alumina, molten aluminum alloy and aluminum alloy ingots, aluminum fabrication production facilities, as well as self-supporting power generation facilities.

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

Our aluminum products consist of molten aluminum alloy, aluminum alloy ingots and aluminum fabrication products. Our aluminum products are made from alumina and carbon anodes through a smelting process by means of electrolytic reduction. We also actively expand the manufacture business for lightweight materials and secondary aluminum in recent years. We completed our installation of the first aluminum recycling production line in 2021. Our other products include alumina and steam. We currently have twelve manufacturing bases in Indonesia, as well as Wenshan, Honghe, Weihai, Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Boxing, Yangxin and Huimin of the PRC, respectively. Our annual production capacity of aluminum products was approximately 6.46 million tons as of June 30, 2023 with utilization rates of approximately 94.7% for the six months ended June 30, 2023.

Our sales volume of aluminum products remained stable in the past three years. We sold approximately 5.7 million tons, 5.7 million tons, 6.1 million tons, 3.0 million tons and 3.1 million tons of aluminum products and generated revenue of approximately RMB72,038.3 million, RMB96,836.9 million, RMB109,529.3 million (US\$15,104.8 million), RMB57,548.1 million and RMB51,623.8 million (US\$7,119.3 million) from sales of aluminum products for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. During the same respective periods, we achieved net profit of approximately RMB10,444.8 million, RMB16,848.8 million, RMB9,809.0 million (US\$1,352.7 million), RMB8,685.3 million and RMB2,972.0 million (US\$409.9 million), respectively.

### Our Competitive Strengths

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

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

- Strategic location benefitting from a symbiotic relationship within the end-to-end aluminum industry cluster;
- Efficient and advanced production facilities;
- Sustainable and green production and development;
- High profile professional shareholders;
- Diversified financing channels with prudent financial management; and
- Experienced management team with established track record.

### **Our Strategies**

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

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

### **Recent Developments**

See “Recent Developments” section for our audited consolidated financial statements for the year ended December 31, 2023 which are extracted from the announcement of annual results for the year ended December 31, 2023 filed with the Hong Kong Stock Exchange on March 22, 2024 and other recent developments of our Company.

## THE OFFERING

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

Issuer . . . . .	China Hongqiao Group Limited (the “ <b>Company</b> ”).
Notes offered . . . . .	US\$300,000,000 aggregate principal amount of 7.75% Senior Notes due 2025 (the “ <b>Notes</b> ”).
Offering Price . . . . .	100% of the principal amount of the Notes.
Maturity Date . . . . .	March 27, 2025.
Interest . . . . .	The Notes will bear interest from and including March 28, 2024 at the rate of 7.75% per annum.
Interest Payment Dates . . .	September 28, 2024 and March 27, 2025.
Ranking of the Notes . . . .	The Notes will be: <ul style="list-style-type: none"><li>• general obligations of the Company;</li><li>• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;</li><li>• <i>pari passu</i> in right of payment with the January 2021 CB, the June 2021 Notes, and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);</li><li>• guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations described under the caption “Description of the Notes – The Subsidiary Guarantees” and “Risk Factors – Risks Relating to the Subsidiary Guarantees;”</li><li>• effectively subordinated to the secured obligations of the Company and the Subsidiary Guarantors secured by assets, to the extent of the value of the assets serving as security; and</li><li>• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.</li></ul>
Subsidiary Guarantees . . . .	Each of the Subsidiary Guarantors will, jointly and severally, guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the Notes.  A Subsidiary Guarantee may be released in certain circumstances. See “Description of the Notes – The Subsidiary Guarantees – Release of the Subsidiary Guarantees.”

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

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

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

Each future Restricted Subsidiary, as defined under “Description of the Notes – Definitions” (other than Subsidiaries organized under the laws of the PRC, the Initial Offshore Non-Guarantor Subsidiaries and Exempted Subsidiaries (as defined in the “Description of the Notes”)), promptly upon becoming a Restricted Subsidiary, and each of its Exempted Subsidiaries, promptly after it ceases to be an Exempted Subsidiary, will execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes.

The Company may elect to have an Offshore Subsidiary (other than Hongqiao Investment, Hongqiao Hong Kong and Hongqiao Trading) not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary by designating it as an Offshore Non-Guarantor Subsidiary, if, among other things, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20.0% of the Total Assets of the Company (computed after excluding Consolidated Assets of all Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries) after giving effect to the designation of such Restricted Subsidiary as an Offshore Non-Guarantor Subsidiary.

Ranking of Subsidiary

Guarantees . . . . .

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- is effectively subordinated to the secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; and



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

Use of Proceeds . . . . . The Company intends to apply the net proceeds from this offering for refinancing existing offshore indebtedness and general corporate purposes.

Pending application of the net proceeds of this offering, the Company intends to invest the net proceeds in Temporary Cash Investments (as defined under “Description of the Notes – Definitions”). See “Use of Proceeds.”

Repurchase of Notes Upon a Change of Control . . . . . Not later than 30 days following a Change of Control, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

Redemption for Taxation Reason.. . . . . Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption, if the Company or the Surviving Person or a Subsidiary Guarantor would become obligated to pay certain Additional Amounts as a result of certain changes in specified tax laws. See “Description of the Notes – Redemption for Tax Reasons.”

Covenants . . . . . The Notes, the Indenture governing the Notes and the Subsidiary Guarantees will limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on its capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of the Company or Subsidiary Guarantors;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and

- effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes – Certain Covenants.”

Transfer Restrictions . . . . .	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Transfer Restrictions.”	
Form, Denomination and Registration . . . . .	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will initially be represented by one or more permanent global notes registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.	
Book-Entry Only . . . . .	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes.”	
Delivery of the Notes . . . . .	The Company expects to make delivery of the Notes, against payment in same-day funds, on or about March 28, 2024, which the Company expects will be the third business day following the date of this offering memorandum referred to as “T+3.” You should note that initial trading of the Notes may be affected by the T+3 settlement. See “Plan of Distribution.”	
Trustee . . . . .	China CITIC Bank International Limited	
Paying Agent, Registrar and Transfer Agent . . . . .	China CITIC Bank International Limited	
Listing . . . . .	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for as long as the Notes are listed on the SGX-ST.	
Governing Law . . . . .	The Notes and the Indenture will be governed by and will be construed in accordance with the laws of the State of New York.	
ISIN/Common Code . . . . .	<b>ISIN</b>	<b>Common Code</b>
	XS2793673083	279367308
Legal Entity Identifier (LEI) . . . . .	3003009Q4IBFSDE24571	
Risk Factors . . . . .	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, 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 as of and for the three years ended December 31, 2020, 2021 and 2022 from our audited consolidated financial statements for each of the fiscal years ended and as of December 31, 2021 and 2022, which have been audited by SHINEWING (HK) CPA Limited, and are included elsewhere in this offering memorandum. Our interim financial information as of and for the six months ended June 30, 2022 and 2023 has been derived from our interim condensed consolidated financial information as of and for the six months ended June 30, 2023, which has been reviewed by SHINEWING (HK) CPA Limited, and are included elsewhere in this offering memorandum. 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 December 31,				For the six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(in thousands, except percentages)						
Revenue . . . . .	86,144,641	114,490,941	131,699,427	18,162,182	68,738,652	65,733,870	9,065,115
Cost of sales . . . . .	(66,789,453)	(84,037,845)	(113,460,127)	(15,646,867)	(53,783,465)	(59,841,506)	(8,252,521)
Gross profit . . . . .	19,355,188	30,453,096	18,239,300	2,515,314	14,955,187	5,892,364	812,594
Other income and gains . . . . .	2,700,719	3,706,677	3,928,933	541,825	1,606,697	1,658,719	228,748
Share of gains of associates . . . . .	514,588	61,519	503,335	69,413	226,849	954,433	131,622
Selling and distribution expenses . . . . .	(399,894)	(525,709)	(597,679)	(82,424)	(301,894)	(304,140)	(41,943)
Administrative expenses . . . . .	(4,052,174)	(5,708,346)	(5,933,759)	(818,303)	(3,060,161)	(2,808,009)	(387,242)
Other expenses . . . . .	(616,586)	(1,690,523)	(329,047)	(45,378)	(197,355)	(89,388)	(12,327)
Financial costs . . . . .	(4,506,236)	(3,625,974)	(3,019,544)	(416,414)	(1,651,885)	(1,474,674)	(203,367)
Changes in fair value of derivative . . . . .	(291,255)	(116,806)	(184,981)	(25,510)	(346,843)	14,393	1,985
Profit before taxation . . . . .	12,704,350	22,553,934	12,606,558	1,738,524	11,230,595	3,843,698	530,070
Income tax expense . . . . .	(2,259,599)	(5,705,135)	(2,797,583)	(385,804)	(2,545,319)	(871,674)	(120,209)
Profit for the year . . . . .	10,444,751	16,848,799	9,808,975	1,352,720	8,685,276	2,972,024	409,861
Profit for the year attributable to owners of the Company . . . . .	10,495,936	16,073,342	8,701,953	1,200,054	7,846,289	2,456,623	338,784
Non-controlling interests . . . . .	(51,185)	775,457	1,107,022	152,665	838,987	515,401	71,077
	<u>10,444,751</u>	<u>16,848,799</u>	<u>9,808,975</u>	<u>1,352,720</u>	<u>8,685,276</u>	<u>2,972,024</u>	<u>409,861</u>
Earnings per share							
Basic . . . . .	<u>1.2210</u>	<u>1.7720</u>	<u>0.9358</u>	<u>0.1291</u>	<u>0.8500</u>	<u>0.2590</u>	<u>0.0357</u>
Diluted . . . . .	<u>1.2210</u>	<u>1.7119</u>	<u>0.9358</u>	<u>0.1291</u>	<u>0.8500</u>	<u>0.2590</u>	<u>0.0357</u>
<b>Other financial data (unaudited)</b>							
EBITDA <sup>(1)</sup> . . . . .	23,768,819	33,511,345	23,133,309	3,190,229	16,889,368	8,875,535	1,223,992
EBITDA margin <sup>(2)</sup> . . . . .	27.6%	29.3%	17.6%	17.6%	24.6%	13.5%	13.5%
Total debt <sup>(3)</sup> . . . . .	75,389,294	61,304,889	60,126,903	8,291,879	61,452,728	64,271,480	8,863,442
Net debt <sup>(4)</sup> . . . . .	28,381,835	10,453,733	31,022,303	4,278,171	10,519,371	32,644,115	4,501,829
Total debt/EBITDA . . . . .	3.17	1.83	2.60	2.60	1.82	3.62	3.62
Net debt/EBITDA . . . . .	1.19	0.31	1.34	1.34	0.31	1.84	1.84
EBITDA/Finance cost . . . . .	5.27	9.24	7.66	7.66	10.22	6.02	6.02

Notes:

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

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

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

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

	For the year ended December 31,				For the six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(in thousands)						
Profit and other comprehensive							
income for the year . . . . .	10,444,751	16,848,799	9,808,975	1,352,719	8,685,276	2,972,024	409,861
Interest income . . . . .	(514,800)	(547,987)	(558,175)	(76,976)	(277,508)	(381,989)	(52,678)
Finance costs . . . . .	4,506,236	3,625,974	3,019,544	416,414	1,651,885	1,474,674	203,367
Taxation . . . . .	2,259,599	5,705,135	2,797,583	385,804	2,545,319	871,674	120,209
Depreciation and amortization . . . . .	6,900,988	6,712,704	6,951,059	958,595	3,064,679	3,599,533	496,398
Foreign exchange losses (gains) . . . . .	(320,832)	(393,892)	889,485	122,666	753,495	354,012	48,820
Impairment loss recognised in							
respect of goodwill . . . . .	330,594	-	-	-	-	-	-
Impairment loss recognised in							
respect of property, plant and							
equipment . . . . .	162,283	1,560,612	224,838	31,007	112,874	-	-
Derivative component of convertible							
bonds . . . . .	-	-	-	-	353,348	(14,393)	(1,985)
EBITDA . . . . .	<u>23,768,819</u>	<u>33,511,345</u>	<u>23,133,309</u>	<u>3,190,229</u>	<u>16,889,368</u>	<u>8,875,535</u>	<u>1,223,992</u>

- (2) EBITDA margin is calculated by dividing EBITDA by revenue.
- (3) Total debt is calculated as the total of short-term and long-term bank and other loans, short-term and medium-term debentures and convertible bonds (including liability and derivative components) and guaranteed notes.
- (4) Net debt is calculated as total debt minus restricted bank deposits and bank balances and cash.

## Statements of Financial Position

	As of December 31,				As of June 30,	
	2020	2021	2022		2023	
	RMB	RMB	RMB	US\$	RMB	US\$
	(in thousands)					
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment . . . . .	64,750,361	63,441,945	68,060,299	9,385,944	66,282,375	9,140,758
Right-of-use assets . . . . .	5,646,551	5,718,365	7,672,678	1,058,111	8,789,307	1,212,101
Intangible assets . . . . .	27,429	32,595	34,291	4,729	33,289	4,591
Prepaid lease payments . . . . .	4,053	3,808	41,046	5,661	44,375	6,120
Deposit paid for acquisition of property, plant and equipment	571,608	636,493	644,100	88,825	670,021	92,400
Deferred tax assets . . . . .	2,886,026	2,616,950	2,605,197	359,273	2,348,161	323,826
Interests in associates . . . . .	6,681,222	6,064,998	10,296,678	1,419,977	12,207,916	1,683,549
Loan to an associate . . . . .	–	2,000,000	2,000,000	275,813	2,000,000	275,813
Goodwill . . . . .	278,224	278,224	278,224	38,369	278,224	38,369
Financial asset at fair value through other comprehensive income	633,652	1,058,906	1,542,588	212,733	6,505,461	897,144
Financial asset at amortised cost . . . . .	2,499,000	2,499,000	2,499,000	344,628	2,494,000	343,938
Prepayment . . . . .	119,260	541,210	2,500,000	344,766	–	–
	<u>84,097,386</u>	<u>84,892,494</u>	<u>98,174,101</u>	<u>13,538,829</u>	<u>101,653,129</u>	<u>14,018,609</u>
<b>CURRENT ASSETS</b>						
Inventories . . . . .	19,717,811	22,705,105	37,267,620	5,139,440	35,846,442	4,943,450
Trade receivables . . . . .	10,335,568	7,284,753	4,610,695	635,844	5,074,829	699,851
Bills receivables . . . . .	9,157,692	11,918,515	5,573,175	768,576	5,263,543	725,876
Prepayments and other receivables . . . . .	9,126,270	10,768,496	10,051,561	1,386,174	8,341,954	1,150,408
Other financial assets . . . . .	–	99	2,122	293	–	–
Loan to an associate . . . . .	2,000,000	–	–	–	–	–
Income tax recoverable . . . . .	88,814	304	957,917	132,103	1,551,087	213,905
Restricted bank deposits . . . . .	1,542,098	1,623,874	1,720,058	237,207	1,850,630	255,214
Cash and cash equivalents . . . . .	45,465,361	49,227,282	27,384,542	3,776,501	29,776,735	4,106,400
	<u>97,433,614</u>	<u>103,528,428</u>	<u>87,567,690</u>	<u>12,076,138</u>	<u>87,705,220</u>	<u>12,095,104</u>
	97,433,614	103,528,428	87,567,690	12,076,138	87,705,220	12,095,104
<b>CURRENT LIABILITIES</b>						
Trade and bills payables . . . . .	13,377,069	18,735,216	14,911,002	2,056,321	13,046,357	1,799,175
Other payables and accruals . . . . .	12,105,674	11,479,959	12,357,158	1,704,130	11,061,702	1,525,478
Bank borrowing – due within one year . . . . .	22,777,400	21,010,873	30,533,850	4,210,810	25,785,967	3,556,047
Income tax payable . . . . .	2,268,635	2,719,910	618,264	85,263	481,365	66,383
Other financial liabilities . . . . .	4,942	4,497	–	–	–	–
Lease liabilities . . . . .	25,080	10,372	16,161	2,229	38,491	5,308
Liability component of convertible bonds – due within one year . . . . .	–	1,358,611	–	–	–	–
Derivatives component of convertible bonds – due within one year . . . . .	–	713,086	–	–	–	–
Short-term debentures and notes . . . . .	–	1,500,000	3,000,000	413,719	6,000,000	827,438
Medium-term debentures and bonds – due within one year . . . . .	22,774,698	3,598,649	8,507,112	1,173,184	13,019,778	1,795,509
Guaranteed notes – due within one year . . . . .	–	1,908,945	1,392,893	192,089	3,582,330	494,026
Deferred income . . . . .	17,855	26,514	36,684	5,059	17,877	2,465
<b>TOTAL CURRENT LIABILITIES</b> . . . . .	<u>73,351,353</u>	<u>63,066,632</u>	<u>71,373,124</u>	<u>9,842,804</u>	<u>73,033,867</u>	<u>10,071,829</u>
<b>NET CURRENT ASSETS</b> . . . . .	<u>24,082,261</u>	<u>40,461,796</u>	<u>16,194,566</u>	<u>2,233,334</u>	<u>14,671,353</u>	<u>2,023,275</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .	<u>108,179,647</u>	<u>125,354,290</u>	<u>114,368,667</u>	<u>15,772,163</u>	<u>116,324,482</u>	<u>16,041,884</u>
<b>CAPITAL AND RESERVES</b>						
Share capital . . . . .	579,318	595,139	618,881	85,348	618,881	85,348
Reserves . . . . .	70,616,819	80,712,656	83,879,972	11,567,577	85,719,213	11,821,220
Equity attributable to owners of the Company . . . . .	71,196,137	81,307,795	84,498,853	11,652,925	86,338,094	11,906,568
Non-controlling interests . . . . .	5,605,533	11,131,034	11,806,924	1,628,249	12,275,364	1,692,850
<b>TOTAL EQUITY</b> . . . . .	<u>76,801,670</u>	<u>92,438,829</u>	<u>96,305,777</u>	<u>13,281,174</u>	<u>98,613,458</u>	<u>13,599,418</u>
<b>NON-CURRENT LIABILITIES</b>						
Lease liabilities . . . . .	58,609	51,359	51,755	7,137	588,254	81,124
Bank borrowings – due after one year . . . . .	11,483,498	15,370,878	4,993,909	688,692	10,567,168	1,457,279
Liability component of convertible bonds . . . . .	1,215,939	1,633,747	1,830,527	252,441	1,961,385	270,487
Derivatives component of convertible bonds . . . . .	550,111	241,270	457,010	63,025	465,045	64,133
Deferred tax liabilities . . . . .	900,344	813,998	523,795	72,235	420,347	57,969
Medium-term debentures and bonds – due after one year . . . . .	13,345,378	9,544,944	5,960,847	822,038	2,889,807	398,523
Guaranteed notes . . . . .	3,242,270	4,423,886	3,450,755	475,881	–	–
Deferred income . . . . .	581,828	835,379	794,292	109,538	819,018	112,948
<b>TOTAL NON-CURRENT LIABILITIES</b> . . . . .	<u>31,377,977</u>	<u>32,915,461</u>	<u>18,062,890</u>	<u>2,490,987</u>	<u>17,711,024</u>	<u>2,442,463</u>

## RECENT DEVELOPMENTS

### EXTRACTED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2023

The following audited consolidated results for the year ended December 31, 2023 prepared in accordance with the IFRSs, together with comparative figures for the year ended December 31, 2022, are extracted from the announcement of annual results for the year ended December 31, 2023 (the “Year”) filed with the Hong Kong Stock Exchange on March 22, 2024. Our announcement of annual results for the year ended December 31, 2023 is not a comprehensive audit report (and the results and comparative figures set out in this section of this offering memorandum are extracts from such announcement) and will not contain the same level of detail as that of a comprehensive audit report. As such, investors are advised to exercise due caution when reviewing our extracted financial information for the year ended December 31, 2023 set out in this section and elsewhere in this offering memorandum. Any investor who is in doubt is strongly advised to seek advice from your own professional advisors.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended December 31,	
	2023	2022
	RMB	RMB
	(in thousands)	
Revenue . . . . .	133,623,632	131,699,427
Cost of sales . . . . .	(112,669,035)	(113,460,127)
Gross profit	20,954,597	18,239,300
Other income and gains . . . . .	3,713,038	3,928,933
Selling and distribution expenses . . . . .	(755,274)	(597,679)
Administrative expenses . . . . .	(4,952,875)	(5,933,759)
Other expenses . . . . .	(945,299)	(329,047)
Finance costs . . . . .	(3,267,938)	(3,019,544)
Changes in fair values of financial instruments . . . . .	(49,044)	(184,981)
Share of profits of associates . . . . .	1,193,259	503,335
Profit before taxation . . . . .	15,890,464	12,606,558
Income tax expenses . . . . .	(3,392,712)	(2,797,583)
Profit for the year . . . . .	<u>12,497,752</u>	<u>9,808,975</u>
Attributable to:		
Owners of the Company . . . . .	11,460,678	8,701,953
Non-controlling interests . . . . .	<u>1,037,074</u>	<u>1,107,022</u>
	<u>12,497,752</u>	<u>9,808,975</u>
Other comprehensive income for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations . . . . .	108,753	356,375
Share of other comprehensive income of associates . . . . .	<u>22,707</u>	<u>177,920</u>
	<u>131,460</u>	<u>534,295</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income . . . . .	(141,210)	133,253
Total comprehensive income for the year, net of income tax . . . . .	<u>12,488,002</u>	<u>10,476,523</u>
Total comprehensive income for the year attributable to		
Owners of the Company . . . . .	11,422,590	9,217,385
Non-controlling interests . . . . .	<u>1,065,412</u>	<u>1,259,138</u>
	<u>12,488,002</u>	<u>10,476,523</u>
Earnings per share		
– Basic (RMB) . . . . .	<u>1.2095</u>	<u>0.9358</u>
– Diluted (RMB) . . . . .	<u>1.1952</u>	<u>0.9358</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,	
	2023	2022
	RMB	RMB
	(in thousands)	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment . . . . .	70,200,235	68,060,299
Right-of-use assets . . . . .	9,675,440	7,672,678
Intangible assets . . . . .	42,907	34,291
Investment properties . . . . .	38,159	41,046
Deposits paid for acquisition of property, plant and equipment . . . . .	1,045,165	644,100
Deferred tax assets . . . . .	2,990,023	2,605,197
Interests in associates . . . . .	11,034,432	10,296,678
Loan to an associate . . . . .	2,000,000	2,000,000
Goodwill . . . . .	278,224	278,224
Financial asset at amortised cost . . . . .	2,494,000	2,499,000
Financial assets at fair value through other comprehensive income . . . . .	1,401,378	1,542,588
Financial assets at fair value through profit or loss . . . . .	11,725,159	–
Prepayment . . . . .	–	2,500,000
	<u>112,925,122</u>	<u>98,174,101</u>
<b>CURRENT ASSETS</b>		
Inventories . . . . .	33,958,455	37,267,620
Trade receivables . . . . .	5,488,751	4,610,695
Bills receivables . . . . .	4,977,642	5,573,175
Prepayments and other receivables . . . . .	8,747,804	10,051,561
Other financial asset . . . . .	–	2,122
Income tax recoverable . . . . .	674,610	957,917
Restricted bank deposits . . . . .	1,826,579	1,720,058
Cash and cash equivalents . . . . .	31,721,122	27,384,542
	<u>87,394,963</u>	<u>87,567,690</u>
<b>CURRENT LIABILITIES</b>		
Trade and bills payables . . . . .	11,648,276	14,911,002
Other payables and accruals . . . . .	10,603,297	12,357,158
Bank borrowings – due within one year . . . . .	30,489,208	30,533,850
Lease liabilities . . . . .	37,952	16,161
Income tax payable . . . . .	2,586,352	618,264
Short-term debentures and notes . . . . .	7,000,000	3,000,000
Medium-term debentures and bonds – due within one year . . . . .	8,116,930	8,507,112
Guaranteed notes – due within one year . . . . .	3,511,821	1,392,893
Deferred income . . . . .	35,290	36,684
	<u>74,029,126</u>	<u>71,373,124</u>
<b>NET CURRENT ASSETS</b> . . . . .	<u>13,365,837</u>	<u>16,194,566</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .	<u>126,290,959</u>	<u>114,368,667</u>
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings – due after one year . . . . .	8,621,908	4,993,909
Other financial liability . . . . .	2,965,195	–
Lease liabilities . . . . .	916,706	51,755
Liability component of convertible bonds – due after one year . . . . .	1,963,567	1,830,527
Derivative component of convertible bonds – due after one year . . . . .	521,919	457,010
Deferred tax liabilities . . . . .	363,704	523,795
Medium-term debentures and bonds – due after one year . . . . .	3,206,332	5,960,847
Guaranteed notes – due after one year . . . . .	–	3,450,755
Deferred income . . . . .	1,475,183	794,292
	<u>20,034,514</u>	<u>18,062,890</u>
<b>NET ASSETS</b> . . . . .	<u>106,256,445</u>	<u>96,305,777</u>
<b>CAPITAL AND RESERVES</b>		
Share capital . . . . .	618,881	618,881
Reserves . . . . .	91,625,797	83,879,972
Equity attributable to owners of the Company . . . . .	92,244,678	84,498,853
Non-controlling interests . . . . .	14,011,767	11,806,924
<b>TOTAL EQUITY</b> . . . . .	<u>106,256,445</u>	<u>96,305,777</u>

## FINANCIAL REVIEW

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

The following table shows comparison between the breakdown of revenue, gross profit, gross profit margin and percentage of revenue by product for the years ended December 31, 2023 and 2022.

Products	For the year ended December 31,							
	2023				2022			
	Revenue	Gross profit	Gross profit margin	Proportion to total revenue	Revenue	Gross profit	Gross profit margin	Proportion to total revenue
	<u>RMB</u>	<u>RMB</u>	<u>%</u>	<u>%</u>	<u>RMB</u>	<u>RMB</u>	<u>%</u>	<u>%</u>
	(in thousands)				(in thousands)			
Aluminum alloy products . . . . .	94,640,869	16,455,810	17.4	70.8	96,226,971	12,973,509	13.5	73.1
Alumina . . . . .	26,557,457	2,959,858	11.1	19.9	21,404,782	3,268,879	15.3	16.2
Aluminum fabrication products . . . . .	11,500,388	1,634,298	14.2	8.6	13,302,321	2,382,884	17.9	10.1
Steam . . . . .	924,918	(95,369)	(10.3)	0.7	765,353	(385,972)	(50.4)	0.6
Total . . . . .	<u>133,623,632</u>	<u>20,954,597</u>	<u>15.7</u>	<u>100.0</u>	<u>131,699,427</u>	<u>18,239,300</u>	<u>13.8</u>	<u>100.0</u>

For the year ended December 31, 2023, the Group's revenue derived from aluminum alloy products was approximately RMB94,640.9 million, representing a decrease of approximately 1.6% as compared to approximately RMB96,227.0 million for the corresponding period last year, mainly because, although there was a year-on-year increase in the sales volume of the Group's aluminum alloy products, the year-on-year decrease in unit sales price and the extent of decrease in unit sales price was greater than the extent of increase in sales volume. The revenue derived from alumina products amounted to approximately RMB26,557.5 million, representing an increase of approximately 24.1% as compared to approximately RMB21,404.8 million for the corresponding period last year, mainly attributable to the increase in the sales volume of the Group's alumina products. The revenue derived from aluminum fabrication products amounted to approximately RMB11,500.4 million, representing a decrease of approximately 13.5% as compared to approximately RMB13,302.3 million for the corresponding period last year, mainly due to the decrease in sales volume and sales price of aluminum fabrication products.

For the year ended December 31, 2023, the overall gross profit margin of the Group's products was approximately 15.7%, which increased by approximately 1.9 percentage points as compared to approximately 13.8% for the corresponding period last year. Gross profit margin of aluminum alloy products was approximately 17.4%, representing an increase of approximately 3.9 percentage points as compared to the corresponding period last year. This was mainly because while there was a year-on-year decrease in sales price of aluminum alloy products, the extent of decrease in the purchase prices of the Group's main raw materials was greater than that of the decrease in the sales price of the Group's aluminum alloy products, resulting in an increase in the gross profit margin of aluminum alloys as compared to the corresponding period last year. Gross profit margin of alumina products was approximately 11.1%, representing a decrease of approximately 4.2 percentage points as compared to the corresponding period last year, mainly due to the year-on-year decrease in sales price of alumina products, and the increase in the purchase prices of major raw materials used for the production of alumina by the Group, resulting in a decrease in the gross profit margin of alumina as compared to the corresponding period last year. The gross profit margin for aluminum fabrication products was approximately 14.2%, representing a decrease of approximately 3.7 percentage points as compared to the corresponding period last year, mainly due to the year-on-year decrease in sales price of aluminum fabrication products.



### **Selling and distribution expenses**

For the year ended December 31, 2023, the Group's selling and distribution expenses were approximately RMB755.3 million, representing an increase of approximately 26.4% as compared with approximately RMB597.7 million for the corresponding period last year, which was mainly due to the increase in sales volume of the Group's alumina products, leading to a corresponding increase in transportation costs.

### **Administrative expenses**

For the year ended December 31, 2023, the administrative expenses of the Group amounted to approximately RMB4,952.9 million, representing a decrease of approximately 16.5% as compared to approximately RMB5,933.8 million for the corresponding period last year, which was mainly due to the decrease in exchange losses included in the administrative expenses of the Group during the Year.

### **Finance costs**

For the year ended December 31, 2023, the finance costs of the Group were approximately RMB3,267.9 million, representing an increase of approximately 8.2% as compared to approximately RMB3,019.5 million for the corresponding period last year, which was mainly due to the increase in interest expense as a result of the increase in total borrowings during the Year and higher average financing costs.

### **Liquidity and capital resources**

As of December 31, 2023, the cash and cash equivalents of the Group were approximately RMB31,721.1 million, representing an increase of approximately 15.8% as compared with approximately RMB27,384.5 million of the cash and cash equivalents as of December 31, 2022. The increase in cash and cash equivalents was mainly due to the increase in net cash inflow from operating activities as a result of, among other factors, the increase in the Group's profit during the Year.

For the year ended December 31, 2023, the Group's net cash inflow from operating activities was approximately RMB22,402.3 million, net cash outflow from investing activities was approximately RMB17,888.5 million, and net cash outflow from financing activities was approximately RMB199.6 million. The net cash outflow for investing activities was mainly attributable to the cash outflow for the purchase of properties, plants and equipment and external investments. The net cash outflow for financing activities was mainly attributable to the cash outflow from repayment of part of the debts, the dividend payout and the payment of interest on debts by the Group during the Year.

For the year ended December 31, 2023, the capital expenditure of the Group amounted to approximately RMB6,046.3 million, mainly for the payment of the quality guarantee deposits for the preliminary stages of construction projects in accordance with the relevant contracts, the construction expenditure of Yunnan Green Aluminum Innovation Industrial Park project, lightweight material base and new energy projects.

As of December 31, 2023, the Group had capital commitment of approximately RMB5,833.3 million, representing capital expenditure for acquiring properties, plants and equipment in the future, primarily for the construction expenditure of Yunnan Green Aluminum Innovation Industrial Park project, lightweight material base and new energy projects and other construction projects.

As of December 31, 2023, the Group's trade receivables amounted to approximately RMB5,488.8 million, representing an increase of approximately 19.0% from approximately RMB4,610.7 million as of December 31, 2022, which was mainly due to the increase in receivables at the Year end as a result of the extension of the collection period of certain customers.

As of December 31, 2023, the Group's prepayments and other receivables (including non-current assets) amounted to approximately RMB8,747.8 million, representing a decrease of approximately 30.3% as compared to the prepayments and other receivables (including non-current assets) of approximately RMB12,551.6 million as of December 31, 2022, mainly due to certain prepayments and other receivables at the end of 2022 being utilized or collected during the Year.

As of December 31, 2023, the Group's inventory was approximately RMB33,958.5 million, representing a decrease of approximately 8.9% from approximately RMB37,267.6 million as of December 31, 2022, which was mainly due to the decrease in the cost of inventory of major raw materials such as coal and anode carbon blocks.

### **Contingent liability**

As of December 31, 2023 and 2022, the Group had no significant contingent liability.

### **Income tax**

The Group's income tax for 2023 amounted to approximately RMB3,392.7 million, representing an increase of approximately 21.3% as compared to approximately RMB2,797.6 million for the corresponding period last year, mainly due to the increase in income tax as a result of the increase in the Group's profit before tax as compared to the corresponding period last year.

### **Net profit attributable to owners of the Company and earnings per share**

Net profit attributable to owners of the Company was approximately RMB11,460.7 million for the year ended December 31, 2023, representing a significant increase of approximately 31.7% as compared to approximately RMB8,702.0 million for the corresponding period last year.

During the Year, basic earnings per share of the Company were approximately RMB1.2095 (2022: approximately RMB0.9358).

### **Capital structure**

The Group has established an appropriate liquidity risk management framework to ensure its short, medium and long-term funding supply and to satisfy its liquidity needs. As of December 31, 2023, the cash and cash equivalents of the Group amounted to approximately RMB31,721.1 million (December 31, 2022: approximately RMB27,384.5 million), which were mainly placed in commercial banks. Such level of cash and cash equivalents would assist in ensuring stability and flexibility of the Group's business operations. The Group will continue to take effective measures to ensure sufficient liquidity and financial resources, so as to satisfy the business needs and maintain a sound and stable financial position.

As of December 31, 2023, the total liabilities of the Group amounted to approximately RMB94,063.6 million (December 31, 2022: approximately RMB89,436.0 million). Gearing ratio was approximately 47.0% (December 31, 2022: approximately 48.2%).

The Group used certain of its restricted bank deposits, inventories, trade receivables, equipment and right-of-use assets as collateral for bank borrowings to provide part of the funding for its daily business operations and project construction. As of December 31, 2023, the secured bank borrowings of the Group was approximately RMB12,537.9 million (December 31, 2022: approximately RMB8,833.0 million).

As of December 31, 2023, the Group's total bank borrowings were approximately RMB39,111.1 million. The Group maintained an appropriate portfolio of liabilities at fixed interest rates and variable interest rates to manage its interest expenses. As of December 31, 2023, approximately 81.2% of the Group's bank borrowings were subject to fixed interest rates while its remainder of approximately 18.8% were subject to floating interest rates.

The Group aims to maintain a balance between the sustainability and flexibility of financing through utilising various debt financing instruments. As of December 31, 2023, liabilities of the Group other than bank borrowings included short-term bonds and notes of approximately RMB7,000.0 million, medium-term notes and bonds of approximately RMB11,323.3 million, guaranteed notes of approximately RMB3,511.8 million and convertible bonds of approximately RMB2,485.5 million, the interest rates of which ranged from 3.47% to 7.375% per annum. Such notes and bonds help to optimise the Group's debt structure and reduce its financing costs.

As of December 31, 2023, the Group had net current assets of approximately RMB13,365.8 million. The Group will continue to diversify its financing channels and optimise its debt structure. In addition, the Group will continue to control its production costs, enhance its profitability and improve its cash flow position in order to ensure the Group to have adequate liquidity.

As of December 31, 2023, the Group's liabilities were mainly denominated in RMB and U.S. Dollars, of which, approximately 89.0% of the total liabilities were denominated in RMB, and approximately 11.0% were denominated in U.S. Dollars. The Group's cash and cash equivalents were mainly held in RMB and U.S. Dollars, of which approximately 92.8% were held in RMB and approximately 6.8% were held in U.S. Dollars.

## **OTHER INFORMATION**

### **Introduction of Strategic Investors**

On December 14, 2023, December 15, 2023, December 18, 2023 and December 21, 2023, Aluminum & Power, Shandong Hongtuo Industrial Company Limited (山東宏拓實業有限公司) (“**Shandong Hongtuo**”) and Shandong Hongqiao, all of which are indirect non-wholly owned subsidiaries of our Company, successively entered into the capital contribution agreements with Tianjin Juxin Tianang Equity Investment Partnership (Limited Partnership)(天津聚信天昂股權投資合夥企業(有限合夥)) (“**Tianjin Juxin**”), Jinan Jiahui Investment Partnership (Limited Partnership)(濟南嘉匯投資合夥企業(有限合夥)) (“**Jinan Jiahui**”), 中國中信金融資產管理股份有限公司 (China CITIC Financial Asset Management Co., Ltd., previously known as “中國華融資產管理股份有限公司 (China Huarong Asset Management Co., Ltd.)”) (“**CITIC FAMC**”), Jinan Junyue Investment Partnership (Limited Partnership)(濟南君岳投資合夥企業(有限合夥)) (“**Jinan Junyue**”), China Orient Asset Management Co., Ltd. (中國東方資產管理股份有限公司) (“**China Orient**”), Ningbo Xinlv Enterprise Management Partnership (Limited Partnership)(寧波信鋁企業管理合夥企業(有限合夥)) (“**Ningbo Xinlv**”), Jinan Hongtai Investment Partnership (Limited Partnership)(濟南宏泰投資合夥企業(有限合夥)) (“**Jinan Hongtai**”), and Tiancheng Xincheng Phase I (Wenzhou) Venture Capital Partnership Enterprise (Limited Partnership)(天鉞鋅鉅一期(溫州)創業投資合夥企業(有限合夥)) (“**Tiancheng Xincheng Phase I**”), pursuant to which each of Tianjin Juxin, Jinan Jiahui, CITIC FAMC, Jinan Junyue, China Orient, Ningbo Xinlv, Jinan Hongtai, and Tiancheng Xincheng Phase I agreed to subscribe for new capital in Shandong Hongtuo for the consideration of RMB500 million, RMB530 million, RMB500 million, RMB201.6 million, RMB500 million, RMB400 million, RMB301 million and RMB30 million, respectively (and in aggregate, the total consideration was RMB2.9626 billion). Immediately, after completion of the aforesaid capital increase, Shandong Hongtuo was held as to approximately 95.295% by Aluminum & Power and as to approximately 4.705% in aggregate by the aforesaid investors, respectively.

### **Exercise Of Option by the Subscribers relating to Their Respective Interests in Shandong Hongqiao**

On February 7, 2024, Sanya Changzhe Hongji Venture Capital Fund Partnership (Limited Partnership) (“**Changzhe Hongji**”) and Sanya Changzhe Hongye Venture Capital Fund Partnership (Limited Partnership) (“**Changzhe Hongye**”) exercised an option, thereby requiring the relevant repurchase obligor(s) to purchase 3.25% and 0.79% equity interest in Shandong Hongqiao from Changzhe Hongji

and Changzhe Hongye respectively. After completion of the purchase, Shandong Hongqiao continued to be an indirect non-wholly owned subsidiary of the Company and the shareholding increased from 94.52% to 98.56%.

### **Funding Contribution and Provision of Guarantees**

On March 6, 2024, Aluminum & Power, Winning Logistics (Africa) Company Limited (“**Winning Logistics**”) and Winning Consortium Holdings Pte. Ltd. (“**WCH**”) entered into a shareholders agreement in relation to WCH (the “**WCH Shareholders Agreement**”), pursuant to which, among other things, Aluminum & Power shall perform the shareholder’s obligations in accordance with the terms of the WCH Shareholders Agreement, including an obligation to provide funding to WCH and/or its related entities. On the same day, Aluminum & Power (as guarantor), Winning Consortium Simandou Pte. Ltd. (“**WCS**”) and Baowu Simandou Mining (Shanghai) Company Limited (“**Baowu Simandou (Shanghai)**”) also entered into a guarantee agreement in favour of WCS in respect of specific funding obligations of WCH under the mine projects in Simandou, Guinea, and Aluminum & Power (as guarantor), Winning Consortium Simandou Infrastructure Pte. Ltd. (“**WCSI**”) and Baowu Simandou (Shanghai) entered into a guarantee agreement in favour of WCSI in respect of specific funding obligations of WCH under the infrastructure projects corresponding to the mine projects. Pursuant to the two guarantee agreements, Aluminum & Power agreed to provide guarantees up to an aggregate maximum amount of US\$1,780 million for the punctual performance by WCH of all the guaranteed obligations (which indirectly include the obligations of Aluminum & Power for its relevant funding contribution under the WCH Shareholders Agreement).

## RISK FACTORS

*You should carefully consider the risks described below and all other information contained in this offering memorandum before making an investment decision. You should pay particular attention to the 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 Notes 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; (iv) risks relating to the Notes, and (v) risks relating to the Guarantees.*

### **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 memorandum.

The prices of aluminum products have historically fluctuated in response to market forces, such as global production, refining and smelting production, global and PRC economic conditions and industrial supply and demand. In recent years, there have been significant fluctuations in the prices of aluminum products. These fluctuations have been driven by changes in the end-use of aluminum products, as a result of fluctuations in investment in the construction, electrical, transport and consumer durables sectors. For the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the average selling price of our own aluminum products per ton was approximately RMB12,725, RMB16,963, RMB18,008 (US\$2,483), RMB19,330 and RMB16,641 (US\$2,295), respectively. There can be no assurance that the domestic demand for aluminum will continue to grow, that domestic aluminum will not experience excess supply, or that there will not be significant drops in aluminum prices in China. Any overcapacity in the PRC aluminum industry, whether caused by a decrease in demand or an increase in supply, would likely affect the average selling price of our products. Further, the demand of our products is dependent on the economic cycle. In particular, the market demand of certain of our downstream industries, such as the real estate industry and automotive industry, is susceptible to the economic downturn. Any severe or prolonged slowdown or instability in the global economy will, in turn, result in a deduction in demand of our aluminum products and putting significant downward pressure on our average selling prices. These events may consequently have a material adverse effect on our business, results of operations and financial condition.

In addition, the prices of our raw materials fluctuate from time to time. Even if there is an increase in the market price of our products, it may not be sufficient to offset an increase in the prices of raw materials, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. For example, our gross profit margin for the two years ended December 31, 2020 and 2021 were approximately 22.5% and 26.6%, which remained relatively stable.

Our gross profit margin for the year ended December 31, 2022 decreased to approximately 13.8% from 26.6% for the year ended December 31, 2021. This was mainly due to the fact that while the unit sales price of our aluminum alloy products increased in 2022 as compared to the year 2021, the extent of increase in the purchase price of our major raw materials exceeded that of the unit sales price of our aluminum alloy products, resulting in a decrease in the gross profit margin of aluminum alloy products. 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.

***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 RMB22,315.4 million, RMB32,572.1 million, RMB41,255.2 million (US\$5,689.4 million), RMB19,474.1 million and RMB21,028.8 million (US\$2,900.0 million) for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, 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 19.2%, 29.6%, 24.5%, 23.2% and 18.7% of our total cost of sales for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. As a result, any increase in the price of coal could increase the cost of electricity generated by our thermal power stations. We also cannot assure you that our suppliers will not terminate or fail to perform under these long-term coal supply agreements.

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

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

The majority of our existing PRC aluminum manufacturing facilities, and our thermal power stations are located within or in close proximity to Zouping City or Binzhou Economic Development Zone, in Shandong Province of China. Any disruption or significant damage to our aluminum product manufacturing facilities or our thermal power stations or our alumina production facility from natural or other causes, such as flood, fire and earthquake, could be costly and time-consuming to repair and could disrupt our operations. In such an event, we would be forced to seek alternative manufacturing sites, alumina supply and facilities or electricity supplies, which we believe would be extremely difficult to locate and secure given the highly specialized and large-scale nature of our aluminum product manufacturing business and our significant requirements for alumina and electricity. Even if we are able

to identify an alternative manufacturing site, alumina supply or electricity suppliers following the occurrence of such an event, we would likely incur significant additional costs and experience disruptions in the production of our products. For instance, as affected by the rainstorms brought by typhoon “Lekima” in August 2019, some of our production workshops were damaged by the storm. Our management estimated that our production volume of aluminum products for 2019 decreased by 200,000 to 300,000 tons as a result of “Lekima”.

Our operations may be disrupted for other reasons as well. For example, in recent years, the government has been engaged in revising policies to reform the supply side of the aluminum industry. Of particular relevance, in April 2017, the NDRC, the Ministry of Industry and Information Technology, the Ministry of Land and Resources and the Ministry of Ecology and Environment of the PRC (the “MOEE”, formerly known as the Ministry of Environmental Protection) jointly issued the Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects (《清理整頓電解鋁行業違法違規項目專項行動工作方案的通知》), which was aimed at regulating unlawful electrolytic aluminum projects. As a result of this policy, our Company was required to reduce our production scale by shutting down relevant aluminum production facilities and ancillary facilities with annual production capacity of 2.68 million tons. Such reduction could have a material, adverse effect on our production, revenue and net profits going forward. For the year ended December 31, 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 December 31, 2017. Following a suspension of a portion of our production capacity as described above, our aggregate annual production capacity at our manufacturing bases fell from 7.44 million tons of aluminum products as of December 31, 2016 to 6.46 million tons (inclusive of newly installed production capacity of approximately 1.70 million tons) as of December 31, 2017. In 2019, we were required to close down our raw aluminum production lines of 2.03 million tons annual capacity operated by Aluminum & Power, which will be replaced and transferred to the newly built production lines owned by Yunnan Hongtai New Material Co., Ltd. (雲南宏泰新型材料有限公司). As of the date of this offering memorandum, we are in the process of such transfer and will finish closing down our raw aluminum production lines of 2.03 million tons annual capacity operated by Aluminum & Power, of which 1.07 million tons annual capacity has been transferred to the newly built production lines owned by Yunnan Hongtai New Material Co., Ltd. and put into operation as of June 30, 2023. In addition to supply-chain reform, if we fail to procure adequate raw materials or electricity for our production activities or at all, our operations will also be disrupted. In May 2018, the government of Shandong Province has published a Rectification Plan Implementing Opinions of Central Environmental Protection Supervision Team and a List of Rectification Measures (《山東省貫徹落實中央環境保護督察組督查反饋意見整改方案》及《整改措施清單》). As required, our Group has shut down certain coal-fired power units (煤電機組), and obtained environmental impact assessment documents required for other coal-fired power units to operate legally. In November 2020, the Energy Administration of Shandong Province has published an announcement that our Group has further shut down certain coal-fired power units as required.

Moreover, our smelting pots contain molten electrolytic aluminum. Should our production facilities suspend operations for any reason, such molten electrolytic aluminum would be solidified by the low temperature, and as a result, it would take a significant time and extra electricity to recommence operations. Any disruption in our operations could have a material adverse impact on our ability to produce sufficient quantities of products or may require us to incur significant expenses in order to produce sufficient quantities to meet our contractual obligations, and could impair our ability to meet the demand of customers and result in customers cancelling their purchase orders, any of which could materially and adversely affect our business, financial condition and results of operations.

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

Our operations are subject to environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the remediation of contaminated sites and employee health and safety. Compliance with environmental protection regulations in the PRC could be costly, and we may become subject to additional environmental compliance requirements in connection with our business operations. In May 2018, the government of Shandong Province has published a Rectification Plan Implementing Opinions of Central Environmental Protection Supervision Team and a List of Rectification Measures (《山東省貫徹落實中央環境保護督察組督查反饋意見整改方案》及《整改措施清單》), according to which, our Group is required to address the issue that “Binzhou Weiqiao Group has illegally buried hazardous wastes in excess of 150,000 tons in the mud field”. Rectification measures required to be taken includes 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 MOEE has implemented tightened standards and additional pollution control measures on the industry in 28 cities in the Northern PRC, which include Beijing, Tianjin and the surrounding areas. As part of this process, the MOEE, the NDRC, certain other relevant national government authorities and the People’s Government of Beijing, Tianjin, Hebei, Shanxi, Henan and six other provinces jointly issued a series of air pollution control measures and policies. These environmental regulations have imposed and could impose stricter compliance requirements on the industries in which we operate. Additional pollution control equipment, process changes, or other environmental control measures may be needed at some of our facilities to meet future requirements. Furthermore, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. If we fail to comply with any future environmental regulations, we may be required to pay substantial fines, suspend our manufacturing or even cease operations, and our reputation, business results of operations and financial condition may be adversely affected.

Financial responsibility for contaminated property may be imposed on us where our operations have had an environmental impact. Such liability may include the cost of investigating and remediating contaminated soil or ground water, fines and penalties sought by environmental authorities, and damages arising out of personal injury, contaminated property and toxic tort claims. The costs of such matters have not been material to our net income in the past. However, future remedial requirements at currently owned or operated properties or adjacent areas could result in significant liabilities. In recent years, the environmental impact of our overseas business operations has received attention from NGOs. For example, Human Rights Watch issued a report with the title of “What Do We Get Out of It? The Human Rights Impact of Bauxite Mining in Guinea” in October 2018, suggesting, among other things, that La Société Minière de Boké (“SMB”), a joint venture located in Guinea and indirectly owned as to 22.5% by our Company, has not done enough to prevent damage to water resources, with significant consequences for local communities. Local environmental authorities of Guinea may impose fines, other penalties and temporary suspension of business activities on SMB in the future. Any remedial requirements imposed by the Guinean government and costs of monitoring and protecting water resources and air quality in local communities may negatively affect the results of operations of SMB.

On October 24, 2021, the State Council released the Action Plan for Reaching Carbon Dioxide Peak Before 2030 (《2030年前碳達峰行動方案》). Industrial domain is one of the primary sources of carbon dioxide emissions in China. According to Antaike, the total carbon dioxide emission of the aluminum industry was approximately 600 million tons in 2022, which accounted for 80% of the total carbon dioxide emission of the China’s non-ferrous metals industry. In particular, the total carbon dioxide



emission of the aluminum smelting process (including electrolytic aluminum, alumina and secondary aluminum) reached 570 million tons in 2022. In order for the non-ferrous metal industry to achieve the goal of “carbon peaking”, the aluminum industry, especially the aluminum smelting industry will face the challenges brought by low-carbon green transformation and high-quality development. For example, according to the Notice to Perfecting the Tiered Electricity Pricing Policy for the Electrolytic Aluminum Industry (《關於完善電解鋁行業階梯電價政策的通知》) which was issued by the NDRC on August 26, 2021 and came into effect on January 1, 2022, a number of regions/districts such as Guizhou, Yunnan, Sichuan, Shanxi and Guangxi Provinces introduced policies cancelling preferential electricity tariff, resulting in the substantial increase in the price of on-grid electricity. The electricity cost accounted for 39.4% of the total production costs of electrolytic aluminum in China for the six months ended June 30, 2023, as compared to that of 37.7% for the six months ended June 30, 2022, according to Antaike. Further laws, regulations or government policies may be introduced affecting our manufacturing bases to achieve the “carbon peaking” initiative and we may incur additional operation cost as a result of or to comply with the same.

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

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

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

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

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

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

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

Our business requires certain key raw materials, such as alumina, carbon anodes and fluorides. We cannot assure you that we will not experience any shortage in their supply in the future. If any shortage occurs, it could materially and adversely affect our production, business and results of operations. If any of our existing suppliers is unwilling or unable to provide us with high-quality raw materials in required

quantities and at commercially acceptable prices, we may be unable to find alternative sources at commercially acceptable prices, on satisfactory terms in a timely manner, or at all, which would have a material adverse effect on our business, financial condition and results of operations.

In particular, given that alumina is one of the principal components of our cost of goods sold, accounting for approximately 67.5%, 59.3%, 56.6%, 57.2% and 63.2% of our total purchase cost of raw materials for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively, the price of alumina has a significant impact on our profitability. According to Antaike, the average price of alumina produced domestically in China was approximately RMB2,799 per ton and RMB2,945 per ton for 2021 and 2022, respectively, and the average import price of alumina in China was approximately US\$326 per ton and US\$362 per ton during the same respective periods. Any increase in the price of alumina may increase our costs of sales. Although we seek to pass on the increased costs to consumers, we may not always be able to do so for reasons beyond our control. For example, we may not be able to increase the price of our products because our competitors may adopt a low pricing strategy or the increased price may cause consumers to choose alternative alumina products. If we are not able to pass on the cost increases to consumers, our results of operations may be materially and adversely affected. Although we have begun self-production of alumina, we expect to continue to procure alumina from external suppliers in the future. We cannot assure you that there will not be any sudden shortages in our supply of alumina, or any fluctuations in its price due to changes in market conditions. In the event that the cost of alumina or any other raw materials that we use in the future increase significantly and we are not able to pass on the additional cost to our customers, our profit margin may be reduced.

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

We rely on a limited number of large suppliers to provide us with the raw materials and energy we need to produce our aluminum products. For the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our five largest suppliers together accounted for approximately 43.3%, 41.8%, 40.0%, 36.8% and 31.4% respectively, of our total procurement costs, with our largest supplier accounting for approximately 16.8%, 18.0%, 14.0%, 14.2% and 10.8%, respectively.

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

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

2018, we stopped purchasing alumina and electricity from the supplier which had provided the majority of our purchased alumina and all of our externally purchased electricity for the years ended December 31, 2016 and 2017, and for several years before that and began purchasing each from a new supplier with which we have limited history.

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

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

***We may not be able to grow our business successfully.***

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

In particular, we are continuing to strengthen our production capacity for aluminum fabrication products such as aluminum foil, aluminum alloy casting-rolling products and high precision aluminum plate and strip products. In addition, we continue to expand into relevant upstream business pursuant to our strategy of enhancing vertical integration. The first phase of the alumina production plant built and operated by our Indonesian Alumina Joint Venture Company commenced operations in the first half of 2016. The second phase of such alumina project which have been put into production by the end of 2021. As of June 30, 2023, the joint venture's alumina production plant has an annual alumina production capacity of 2.0 million tons, which was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. In 2015, we also entered into a joint venture with among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Winning Singapore International Group for the purpose of developing a bauxite mining project in Guinea. In addition, we along with several business partners entered into three public contracts with the government of Guinea in December 2018 to develop a bauxite-mining project, a 135km-long railway and an alumina plant in Guinea. We also expand our business in Guinea, including iron ore mining business. And we are in the process of transferring part of the Group's existing electrolytic aluminum production equipment to Yunnan Province. As of June 30, 2023, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of 1.07 million tons. We are in the process of further transferring the existing electrolytic aluminum production equipment to Yunnan Province, which will then operate using local hydro-power electricity generated in Yunnan Province. Furthermore, we have been working with the Germany-based Scholz Group to develop the Sino-German Hongqiao Scholz Circular Technology

Industrial Park project to recycle and dismantle scrapped motor vehicles and produce secondary aluminum and selected raw materials of aluminum alloy and aluminum alloy products. As of June 30, 2023, in respect of domestic business, the construction of our light weight base has been completed and put into production. Going forward, we may continue to invest or acquire other downstream or upstream businesses in the PRC or overseas.

We may not be able to sell our products (including our advanced aluminum fabrication products) at the prices that we expect, or at all, and we may not be able to manufacture these products successfully. We may not be able to fully utilize the additional electricity we plan to generate or produce alumina up to the required standard, or at all. Also, we may not be able to identify appropriate investment or acquisition targets and we may fail to obtain the necessary approvals, permits or filings or develop our projects in a timely fashion or at all. In any of these events, our business, financial condition and results of operations could be materially and adversely affected as a result.

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 the PRC. We may not be able to achieve the vertical integration that we are targeting. Any future expansion, in relation to our existing production line or new products, will also place significant demand on us to maintain the quality of our products. We will need to implement a variety of new and upgraded operational and financial systems, procedures and controls, including improvements to our internal management systems. We will also need to continue to implement effective training programs to ensure consistently high-quality performance by our employees. All of these measures will require substantial management efforts. If we are unable to effectively manage our growth, our business, financial condition and results of operations may be materially and adversely affected.

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

As part of our strategies, we may continue to evaluate opportunities to acquire or invest in different regions and markets. For example, in December 2012, we established the Indonesian Alumina Joint Venture Company for alumina production, in which we hold a 61% interest, directly and indirectly. The first phase of our joint venture's alumina production plant commenced operations in the first half of 2016 while the second phase have been put into production by the end of 2021. As of June 30, 2023, the joint venture's alumina production plant has an annual alumina production capacity of 2.0 million tons, which was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. In addition, in 2015 we entered into joint venture arrangements with, among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Winning Singapore International Group for the purpose of developing a bauxite mining project in Guinea.

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

- our joint venture partners may be unable or unwilling to perform their obligations under the joint venture arrangements, including their obligations to make required capital contributions;
- our joint venture partners may have different economic or business objectives, and may take actions contrary to our instructions, requests or policies;
- our joint venture partners may have financial difficulties, which may affect their ability to perform their respective obligations under the joint venture agreement;
- disputes may arise as to the scope of each party's responsibilities under such arrangement;

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

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

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

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

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

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

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

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

Our five largest customers accounted for approximately 59.0%, 56.6%, 53.3%, 53.5% and 47.3% of our revenue of continuing operations for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Our largest customer accounted for approximately 39.1%, 38.3%, 38.0%, 37.7% and 35.2% of our revenue of continuing operations for the same respective periods.

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

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

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

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

All of our molten aluminum alloy customers are in close proximity to our relevant manufacturing bases. Our revenue generated from sales of molten aluminum alloy accounted for approximately 68.9%, 69.4%, 65.2%, 65.3% and 61.4% of our total revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, 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.

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

Alumina and aluminum production facilities and thermal power stations are highly capital-intensive to construct and maintain. Our capital expenditures amounted to approximately RMB5,267.7 million, RMB5,999.1 million, RMB8,848.4 million (US\$1,220.3 million), RMB2,728.3 million and RMB2,776.0 million (US\$382.8 million) for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively, which were primarily used in the expansion of our production capacity, construction of Yunnan green aluminum innovation industrial park project, lightweight material base, the Bohai science and innovation city industrial park project and our alumina manufacturing base in Indonesia. Our future capital requirements may be substantial as we may continue to seek to grow our business in the future. In addition, we cannot assure you that we will not have net current liabilities in the future, which could limit our working capital for the purposes of operations or capital for our future plans. We may need to raise additional funds to meet our capital requirements. From time to time, our plans may change due to changing circumstances, the development of our business, unforeseen contingencies or new opportunities and we may not be able to implement our plans within our budget. If our plans do change, we may need to obtain additional external financing to meet our capital expenditure plans, which may include commercial bank borrowings or the issuance of equity or debt securities. Increases in interest rates might occur in the future. Increases in interest rates increase our financing costs. Any further tightening of liquidity in the global financial markets may also negatively affect our access to capital and liquidity. In the case of any global economic slowdown and turmoil in the financial markets, our access to financing channel may be restricted and our business, financial condition and results of operations may be adversely affected accordingly. In addition, if we decide to raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flows from operations. We cannot assure you that we will be able to raise adequate financing to fund our future capital requirements on commercially acceptable terms in time, or at all.

***We face intense competition in China.***

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

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

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

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

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

***Our results of operations may fluctuate from period to period.***

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

- alterations in demand for our aluminum products;
- our customers' sales outlook, purchasing patterns and changes in inventory level;
- our effectiveness in managing the manufacturing processes and controlling costs;
- our ability to optimize our available manufacturing capability;
- changes in the cost and availability of raw materials and electricity, which frequently occur in our industry and which affect our margins and our ability to meet delivery schedules;
- our ability to obtain financing in a timely manner; and
- local conditions and events that may affect our production volumes, such as labor conditions, stability of electricity supply, political instability and local holidays.



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

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

Our Controlling Shareholders currently beneficially owns approximately 64.22% in aggregate of the issued share capital of our Company. As such, our Controlling Shareholders have, and will continue to have, substantial influence over our business. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the interests of the holders of the Notes.

***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.

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

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

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

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

We issued our US\$300,000,000 5.25% convertible bonds due 2026 on January 25, 2021. The January 2021 CB which contains both liability and multiple embedded derivatives (including conversion option that will be settled other than by the exchange of fixed amount of cash or another financial instrument for a fixed number of our Company's own equity instruments and redemption options) is classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liabilities and an equity instrument. Multiple embedded derivatives are generally treated as a single compound derivative. Derivatives are initially recognized at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the date of issue, both the liability and the compound derivative components of the January 2021 CB are recognised at fair value. The fair value of the compound derivative components of the January 2021 CB is determined by derivative valuation models that take as inputs several variables including risk-free rate, expected life and volatilities. Any changes in these inputs into the model will result in changes in the fair value of the compound derivative component, which could be substantial and have a significant impact on our profit or loss.

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

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

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

The global financial crisis which commenced in the second half of 2008 and subsequent economic crisis in Europe caused substantial volatility in the capital markets and a downturn in the global and PRC aluminum industry. In addition, in 2020, the United Kingdom officially exited the European Union and left the European Single Market and European Union Customs Union. Brexit may continue to create negative economic impact and increase volatility in global markets, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. In 2022, the military conflict between the Russian Federation and Ukraine is contributing to further increases in the prices of energy, oil and other commodities and to volatility in financial markets globally, as well as a new landscape in relation to international sanctions. From 2022 to 2023, the U.S. Federal Reserve raised its benchmark federal-funds rate by 5.25%, which materially impacted the outlook of global economy. Moreover, there are ongoing concerns about European sovereign debt levels, political gridlock in the United States over government spending, debt levels and civil rights issues and the consequences for economic growth and investor confidence in the United States, and the uncertainty around the Federal Reserve's future monetary policies. As a result of such events, growth rates of aluminum consumption in China might slow down, and the prices of aluminum products could experience dramatic fluctuations. Furthermore, banks' lending policies and the availability of credit to non-state-owned entities, such as ourselves, are significantly influenced by global financial conditions, governmental policies and levels of investor

confidence in credit markets, which in turn affect the costs or availability of funding for entities like us. If global or regional economic downturns occur or there are other prolonged disruptions to the credit markets, this could limit our ability to raise funds from our current or other funding sources or cause the funds to become more expensive, either of which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

Our business could be adversely affected by the effects of the ebola virus, H1N1 flu, H5N1 avian flu, Severe Acute Respiratory Syndrome (SARS), COVID-19 or other epidemics or outbreaks. In 2006, 2007 and 2008, there were reports on the occurrences of avian flu in various parts of China, including a few confirmed human cases and deaths. In April 2009, an outbreak of H1N1 flu occurred in Mexico and the United States and human cases of H1N1 flu were discovered in China and Hong Kong. In 2014, there was an ebola virus outbreak in Africa. In particular, the outbreak of COVID-19 in 2020 endangered the health of many people in China and other countries, resulting in numerous confirmed cases and deaths and significantly disrupted travels and local economies in and outside of China. To prevent further transmission of COVID-19, the PRC Government adopted a series of measures nationwide, including, among others, locking down cities, restrictions on enterprises from resuming work, traffic control, travel bans, management and control over commencement and delivery schedules of manufacturers. Therefore, we are subject to certain risks, which include, among others, (i) we may incur extra costs in relation to our precautionary measures and disinfection works carried out by us at our manufacturing facilities and offices; and (ii) we may be required to quarantine some or all of our employees, or disinfect the manufacturing facilities and offices to prevent the spread of the disease if any of our employees were suspected of contracting or contracted an epidemic disease. The occurrence of any of the above events may adversely affect our production and results of operations. Furthermore, such adverse epidemics may severely affect and restrict the level of economic activity in China as the government in each region we operate may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which together with the disruption of business in major industries may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China and the world. In response to the COVID-19 pandemic, governments across the world imposed travel restrictions and/or lockdown to contain its transmission. The reduction in demand and supply may adversely and materially affect economic growth globally. Any contraction or slowdown in the economic growth of China and the world could adversely affect our business, financial condition, results of operations and growth prospects.

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

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

From time to time, our Company may face negative publicity or unfavorable research reports relating to our business, financial performance, financial reporting or operations. For example, in the end of 2016 and beginning of 2017, we became aware of several reports that were published containing a number of negative allegations regarding our Group, including, among others, that our Company under-reported key costs, concealed related parties and related party transactions, and falsified cash position and other financial positions. For instance, the 2017 Negative Reports alleged, among other things, that (a) our power-generation cost was 40% higher than disclosed cost; (b) our disclosed power unit cost was not in line with the price trend of coal; (c) we purchased alumina from Gaoxin, an undisclosed related party, at a price lower than market price constituting a subsidy to our Group; (d) we continuously booked

negative free cash flow with significant debt size increase; and (e) our capital expenditures have continued to increase. In response to these negative allegations, our Company has provided a detailed refutation of the allegations contained in the Negative Reports in a number of public announcements, including the announcements of our Company dated November 23, 2016 and December 20, 2016, October 25, 2017, November 12, 2017 and November 14, 2017. To help investigate and confirm the issues involved, we also engaged BT Risk Assurance, an independent third party professional service firm, to carry out certain agreed-upon procedures in relation to the allegations in the Negative Reports and the Audit Findings. BT Risk Assurance carried out the agreed-upon procedures and presented its findings to the Board and the Audit Committee of our Group in July 2017. Based upon the agreed-upon procedures it performed, BT Risk Assurance did not identify any material discrepancies or anomalies in our cost reporting, related party transaction disclosure, liquidity profile/cash balance, CAPEX and profitability, tracing back to 2013.

Nonetheless, such allegations have seriously damaged our Company's corporate image, credit and reputation, and have caused significant fluctuation in the share price of our Company. In order to protect the interest of Shareholders and potential investors of our Company, we have taken necessary measures to protect our interest. Although we may, as we did in the past, defend ourselves against any such allegations through legal and administrative proceedings as appropriate, we cannot assure you that such proceedings will result in a ruling or decision to our favor nor that the negative publicity effect imposed by those allegations would be eliminated or reduced upon a positive ruling. Any such negative publicity or unfavorable research reports, even if malicious or prepared on an unfounded factual basis, could have a material adverse effect on the trading price of the Notes 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 March 22, 2017 to October 29, 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 March 22, 2017. This suspension was to allow time for BT Risk Assurance, an independent third party professional service firm, to carry out certain agreed-upon procedures in relation to allegations in the Negative Reports and the Audit Findings before finalizing and publishing our annual results for 2016. Our then auditors, Ernst & Young, citing the inability of us and Ernst & Young to reach a consensus in relation to an independent investigation on its Audit Findings, resigned as the auditors of our Group with effect from April 27, 2017. Subsequently, pursuant to a letter from the Hong Kong Stock Exchange, certain conditions for resumption of trading in our Shares were set out, including that we address the Audit Findings and clarify the allegations in the 2016 Negative Report and the 2017 Negative Reports, publish all outstanding financial results and address any audit qualifications and inform the market of all material information. Following the appointment of SHINEWING (HK) CPA Limited as our new auditors on August 31, 2017, we announced our annual results for 2016 and our interim results for 2017 on October 27, 2017. With all the conditions for the resumption of trading in our Shares being fulfilled, trading of our Shares on the Hong Kong Stock Exchange resumed with effect from October 30, 2017. Although we currently do not foresee any future suspension of trading in our shares or any delay in the release of our annual or interim results or further change of our auditors, we cannot assure you that such events could not recur in the future. If the trading in our Shares on the Hong Kong Stock Exchange is suspended in the future, or we change our auditors or otherwise are unable to release our financial results in a timely manner, our reputation, business, financial condition and results of operations, as well as the trading price of the Notes may be materially and adversely affected.

In addition, the financing agreements that we enter into from time to time in the ordinary course of business may contain customary information undertakings, including the requirement to furnish our annual and interim results to the respective lenders within the timeline specified therein. If we are unable to comply with the terms in our existing and future debt obligations and other agreements, there could be a default under the relevant obligations and agreements. If this were to occur, the lenders under

such borrowings could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. We cannot assure you that we will be always able to furnish our annual results and interim results in time or obtain a waiver from the relevant lenders to extend the timeline specified in the future, which may cause acceleration of the outstanding indebtedness and hence have a material and adverse effect on our business, financial condition and results of operations.

## **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 China's aluminum product manufacturers. Furthermore, different regulatory authorities may have different interpretation and enforcement of the aluminum industry policies, which requires companies to meet the policies requirements issued by the relevant regulatory authorities from time to time, and obtain approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies.

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

Following a suspension of a portion of our production capacity as described above, our aggregate annual production capacity at our manufacturing bases fell from 7.44 million tons of aluminum products as of December 31, 2016 to 6.46 million tons (inclusive of newly installed production capacity of approximately 1.70 million tons) as of December 31, 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 December 31, 2018, which had an adverse effect on our revenue and net profit for the year ended December 31, 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 memorandum are derived from various official government sources and may not be reliable.***

Certain facts and other statistics in this offering memorandum relating to China, the PRC economy and the global and PRC aluminum industries and related markets have been derived from various official government publications. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Initial Purchasers or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore,

we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

***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 January 1, 2019, a “relevant entity” engaged in “relevant activities” is required to satisfy the economic substance test set out in the Cayman ES Act. A “relevant entity” includes an exempted company incorporated in the Cayman Islands as we are; however, it does not include an entity that is tax resident outside the Cayman Islands.

Accordingly, for so long as we are a tax resident outside the Cayman Islands, including in the PRC, we are 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 January 1, 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).

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

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

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

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

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

On March 16, 2007, the National People's Congress of the PRC passed the EIT Law, which took effect on January 1, 2008 and was amended on December 29, 2018. On December 6, 2007, the PRC government also adopted the Implementing Rules of the Enterprise Income Tax Law, or the Implementing Rules, which also took effect on January 1, 2008 and was amended on April 23, 2019. Under the EIT Law, a unified EIT rate of 25% and unified tax deduction standards are applied to both domestic-invested enterprises and foreign-invested enterprises, or FIEs. Under the EIT Law, a 10% withholding tax is generally imposed on dividends distributed by FIEs to their foreign investors to the extent the distributed dividends are sourced from the PRC, if such foreign investors are neither PRC-resident enterprises nor have any establishment or place of business in the PRC, or if such foreign 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 Notes or payments under the guarantees may be treated as income derived from sources within the PRC and may be subject to withholding tax and gains from the transfer of Notes might be subject to PRC tax, at a rate of 10% in the case of non-PRC resident enterprise holders 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 “Description of the Notes – Additional Amounts.” 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 Notes (including principal, premium, interest and redemption payments) in U.S. dollars. The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC’s political and economic conditions. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 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 May 18, 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 May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. From January 2014, Renminbi has depreciated against U.S. dollars, from approximately RMB6.05 per U.S. dollar to RMB7.08 per U.S. dollar on December 31, 2023. It is difficult to predict how the Renminbi exchange rates may change. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected. We cannot predict how and to what extent the exchange rate of the Renminbi will fluctuate in the future. To the extent that we need to convert U.S. dollars we receive from the offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar could have a material adverse effect on the value of the net proceeds we will receive from the offering in U.S. dollars, our business, financial condition and results of operations. Conversely, as we rely entirely on dividends paid to us by Shandong Hongqiao, any depreciation of the Renminbi may materially and adversely affect our ability to service the Notes.

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 Notes, we may enter into additional foreign exchange or interest rate hedging agreements with respect to our U.S. dollar-denominated liabilities under the Notes. 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 Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the indenture governing the Notes. If we were unable to provide such collateral, it could constitute a default under such agreements.

Any hedging obligation entered into or to be entered into by us or our subsidiaries, may contain terms 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 Notes (if applicable), any indebtedness or any other present or future obligations and commitments.

### **Risks Relating to the Notes**

***We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries that do not guarantee the Notes.***

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 Notes 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 and Exempted Subsidiaries (as defined in “Description of the Notes”). 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 date of issue of the Notes, all of such subsidiaries directly or indirectly owning our PRC subsidiaries (but not our Indonesian subsidiaries) will guarantee the Notes. The guarantors do not have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the 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.

Creditors, including trade creditors of non-guarantor subsidiaries and any holders of preferred shares in such entities, would have a claim on the assets of the non-guarantor subsidiaries that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our subsidiaries that do not guarantee the Notes, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our non-guarantor subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2023, our non-guarantor subsidiaries had indebtedness and capital commitments of RMB54,800.2 million (US\$7,557.3 million) and RMB4,645.8 million (US\$640.7 million), respectively, and no contingent liabilities arising from guarantees. The Notes and the indenture permit us, the guarantors and our non-guarantor subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any guarantor would have priority as to our assets or the assets of such guarantor securing the related obligations over claims of holders of the Notes.

***The Notes and the Subsidiary Guarantees are unsecured obligations.***

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

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

If any of these events occur, our assets and those of the Subsidiary Guarantors may not be sufficient to pay amounts due on the Notes 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 Notes, a substantial amount of indebtedness. Our total indebtedness, including both current and non-current indebtedness, as of June 30, 2023, was RMB64,271.5 million (US\$8,863.4 million), of which RMB9,471.3 million (US\$1,306.2 million) was secured indebtedness. Our PRC subsidiaries have entered into bilateral loan agreements with a number of PRC banks. Moreover, our PRC subsidiaries have also obtained approvals from PRC regulators and issued a number of corporate bonds. See “Description of Other Material Indebtedness – Onshore Loans – Other Onshore Debt Financing.” Our substantial indebtedness could have important consequences to you. For example, it could:

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

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

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we may not generate sufficient cash flow for these purposes.

If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

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

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

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

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends by the board of directors. In addition, since January 1, 2008, subject to compliance with the relevant requirements in EIT Law, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated

that specifically exempts or reduces such withholding tax. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy our obligations under the guarantees for the Notes, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

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

***The insolvency laws of the Cayman Islands and other local insolvency laws may differ from U.S. bankruptcy law or those of another jurisdiction with which holders of the Notes are familiar.***

Because we and some of the 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 the United States, would likely involve the Cayman Islands, the British Virgin Islands or Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law or other jurisdictions with which the holders of the Notes are familiar.

We conduct substantially all of our business operations through subsidiaries in China. The 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 the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our Notes.

***We may be unable to obtain and remit foreign exchange.***

Our ability to satisfy our obligations under the Notes 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 Notes.

***Our corporate ratings may be lowered or withdrawn in the future.***

We may be assigned a corporate credit rating from time to time. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to our corporate credit rating may adversely affect the market price of the Notes.

***We may not be able to repurchase the Notes upon a change of control.***

We must offer to purchase the Notes upon the occurrence of a change of control, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of the Notes.” The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any change of control to make purchases of outstanding Notes. Our failure to make the offer to purchase or purchase the outstanding Notes would constitute an event of default under the Notes. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debt were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

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

***If we are unable to comply with the terms of the indenture or our existing or future debt agreements, there could be a default under those agreements, which could cause repayment of our debt to be accelerated.***

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

***Our operations are restricted by the terms of the Notes, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.***

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;

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

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

***A trading market for the Notes may not develop, and there are restrictions on resale of the Notes.***

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

***The liquidity and price of the Notes following the offering may be volatile.***

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our operating income, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

***The Notes will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.***

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes representing the Notes will trade in book-entry form only, and notes in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes for purposes of the Indenture. Accordingly, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture. Upon the occurrence of an Event of Default under the Indenture, unless and until definitive registered notes are issued with respect to all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See “Description of the Notes – Book-Entry; Delivery and Form.”

***The Trustee may request the holders of the Notes to provide an indemnity and/or security and/or prefunding to its satisfaction***

The Trustee may request holders of the Notes (representing the requisite thresholds required under the Indenture) to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions in accordance with holder instructions. The Trustee will not be obliged to follow any holder instruction unless it is instructed in writing by the requisite number of holders and indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing the terms of indemnity, security and/or prefunding can be a lengthy process and may impact the timing of implementing holder instructions. Further, the Trustee may not be able to implement holder instructions, notwithstanding the provision of an indemnity, security and/or prefunding to it, in breach of the terms of the Indenture or in circumstances where there is uncertainty or dispute as to such actions’ compliance with applicable laws and regulations. In such circumstances, to the extent permitted by any applicable agreements or applicable laws, it will be for the holders of the Notes to take such actions directly.

***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, the financial information in this offering memorandum has been prepared in accordance with IFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions, which might be material to the financial information contained in this offering memorandum.

***We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards 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 Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different from those imposed by securities exchanges in other countries such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

***The transfer of the Notes and the guarantees is restricted, which may adversely affect their liquidity and the price at which they may be sold.***

The Notes and the guarantees have not been registered under, and we are not obligated to register the Notes or the guarantees under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act or the Securities and Futures Act 2001 of Singapore (the “SFA”) and any other applicable laws. See “Plan of Distribution” and “Transfer



Restrictions.” We have not agreed to or otherwise undertaken to register the Notes and related guarantees (including by way of an exchange offer) with the SEC or the Monetary Authority of Singapore or the securities regulatory authority of any other jurisdiction, and we have no intention of doing so.

***Certain transactions that constitute “connected transactions” under the Listing Rules will not be subject to the “Limitation on Transactions with Shareholders and Affiliates” covenant.***

Our Shares are listed on the Hong Kong Stock Exchange and we are required to comply with its Listing Rules, which provide, among other things, that a “connected transaction” exceeding the applicable de minimis value thresholds will require certain procedures requirements to be completed or approvals to be obtained. However, the “Limitation on Transactions with Shareholders and Affiliates” covenant set forth in the “Description of the Notes” does not capture transactions between our Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officer’s certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

***We may redeem the Notes 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 and payments of dividends from our PRC subsidiaries to us are not then exempt from PRC withholding tax.***

As described above, we may be treated as a PRC resident enterprise under the EIT Law. See “Risks Relating to Doing Business in the PRC – We and/or our non-PRC subsidiaries may be treated as PRC tax resident enterprises and interest on or in respect of the Notes and gain from the disposition of Notes may be subject to PRC tax.” If we are treated as a PRC resident enterprise under the EIT Law, we would be required to withhold PRC tax on interest payable to certain of our non-resident investors and pay, subject to certain exceptions, additional amounts with respect to such withholding tax. As described in “Description of the Notes – Redemption for Tax Reasons,” in the event we are required to pay additional amounts as a result of certain changes in tax law, including the instance where there is a change in the existing official position or there is a stating of an official position that results in our being required to withhold tax due to our being treated as a PRC resident enterprise and dividends from our PRC subsidiaries to us are not then exempt from PRC withholding tax, we may redeem the Notes in whole at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest.

#### **Risks Relating to the Subsidiary Guarantees**

***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, unfair preference or similar laws in the British Virgin Islands or bankruptcy laws, fraudulent transfer laws, insolvency laws, unfair preference laws 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 Notes would cease to have a claim against that guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such guarantor, and would solely be creditors of us and any guarantors whose guarantees have not been voided or held unenforceable. In such an event, after providing for all prior claims, there might not be sufficient assets to satisfy the claims of the holders of the Notes.

*Our subsidiary guarantors may not have the funds necessary to satisfy our financial obligations under the Notes.*

None of our current PRC or Indonesian subsidiaries will provide a guarantee for the Notes either upon issuance of the Notes or at any time thereafter. Neither future subsidiaries that are organized under the laws of the PRC nor Exempted Subsidiaries (as defined in the “Description of the Notes”) will provide a guarantee for the Notes at any time in the future. As a result, the Notes 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 guarantors or any subsidiaries that may become guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. In addition, a guarantee required to be provided by a subsidiary under the terms of the Notes may be replaced by a limited-recourse guarantee following the sale or issuance to a third party of a minority interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a limited-recourse guarantee is limited to an amount equal to our proportional interest in the issued share capital of such guarantor multiplied by the fair market value of the total assets in such guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end.

## **USE OF PROCEEDS**

The gross proceeds of this offering, before deducting the underwriting commissions and other estimated expenses payable in connection with this offering, will be US\$300 million. We intend to apply the net proceeds from this offering for refinancing existing offshore indebtedness and general corporate purposes.

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

## EXCHANGE RATE INFORMATION

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 July 21, 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 May 18, 2007, the PBOC enlarged, effective on May 21, 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 April 16, 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9% from July 21, 2005 to December 31, 2013. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. On August 11, 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 August 10 to August 27, 2015, and further fluctuated in following months. On November 30, 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 U.S. dollar, euro, Renminbi, yen and British pound. The new SDR currency basket became effective October 1, 2016 and Renminbi weighed approximately 10.92% of the basket. Since October 2016, the RMB against the U.S. dollar continued to depreciate. Such change and additional future changes may increase the volatility in the trading value of Renminbi against foreign currencies.

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

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

Period	Noon Buying Rate			
	End	Average <sup>(1)</sup>	High	Low
	(RMB per US\$1.00)			
2019 . . . . .	6.9618	6.9081	7.1786	6.9822
2020 . . . . .	6.5250	6.9042	7.1681	6.5208
2021 . . . . .	6.3726	6.4508	6.5716	6.3435
2022 . . . . .	6.8972	6.7290	7.3048	6.3048
2023 . . . . .	7.0999	7.0809	7.3430	6.7010
September . . . . .	7.2960	7.2979	7.3430	7.2606
October . . . . .	7.3166	7.3071	7.3171	7.2948
November . . . . .	7.1360	7.2226	7.3175	7.1300
December . . . . .	7.0999	7.1402	7.1765	7.0999
2024 . . . . .				
January . . . . .	7.1673	7.1707	7.1961	7.1426
February . . . . .	7.1977	7.1935	7.1982	7.1799
March (through March 12) . . . . .	7.1804	7.1912	7.1987	7.1804

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

## CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated borrowings and capitalization as of June 30, 2023, on an adjusted basis to give effect to the issuance of the Notes and receipt of the gross proceeds from the offering of the Notes before deducting the underwriting commissions and other estimated expenses relating to such offering payable by us, but without giving effect to any refinancing of our indebtedness.

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

	As of June 30, 2023			
	Actual		As Adjusted for the Notes	
	RMB	US\$	RMB	US\$
	(in thousands)			
Total bank borrowings – due within one year . . . . .	25,785,967	3,556,048	25,785,967	3,556,048
Total bank borrowings – due after one year . . . . .	10,567,168	1,457,279	10,567,168	1,457,279
Short-term debentures and notes . . . . .	6,000,000	827,438	6,000,000	827,438
Medium-term debentures and bonds				
– due within one year . . . . .	13,019,778	1,795,509	13,019,778	1,795,509
Medium-term debentures and bonds				
– due after one year . . . . .	2,889,807	398,523	2,889,807	398,523
Notes to be issued . . . . .	–	–	2,175,390	300,000
Guaranteed notes . . . . .	3,582,330	494,026	3,582,330	494,026
Convertible bonds – liability component . . . . .	1,961,385	270,487	1,961,385	270,487
Convertible bonds – derivative component . . . . .	465,045	64,133	465,045	64,133
<b>Total debt<sup>(1)</sup></b> . . . . .	<b>64,271,480</b>	<b>8,863,443</b>	<b>66,446,870</b>	<b>9,163,443</b>
<b>Equity</b>				
Capital and reserves				
Share capital . . . . .	618,881	85,348	618,881	85,348
Reserves . . . . .	85,719,213	11,821,220	85,719,213	11,821,220
Equity attributable to owners of the Company . . . . .	86,338,094	11,906,568	86,338,094	11,906,568
Non-controlling interests . . . . .	12,275,364	1,692,850	12,275,364	1,692,850
Total equity . . . . .	98,613,458	13,599,418	98,613,458	13,599,418
<b>Total capitalization<sup>(2)</sup></b> . . . . .	<b>162,884,938</b>	<b>22,462,861</b>	<b>165,060,328</b>	<b>22,762,861</b>

(1) We entered into (i) the CBI August 2023 Facility in an amount up to US\$40 million in August 2023, and (ii) the CBI November 2023 Facility in an initial amount up to HK\$1,535 million, RMB500 million and US\$30 million and additional amounts up to HK\$250 million pursuant to an additional facility accession agreement in November 2023, which are not reflected in the table above.

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

As of June 30, 2023, our total cash and cash equivalents (excluding restricted cash) amounted to RMB29,776.7 million (US\$4,106.4 million). Our cash and cash equivalents were mainly held in RMB and U.S. dollars, with approximately 93.2% held in RMB and approximately 6.4% held in U.S. dollars.

As of June 30, 2023,

- we had approximately RMB64,271.5 million (US\$8,863.4 million) of consolidated indebtedness outstanding, of which approximately RMB9,471.3 million (US\$1,306.2 million) was secured;
- we had offshore outstanding secured indebtedness in principal amounts totaling approximately US\$330.1 million. See “Description of Other Material Indebtedness – Offshore Financing;” and
- our PRC subsidiaries had indebtedness of approximately RMB54,273.0 million (US\$7,484.6 million). In addition, these PRC subsidiaries had capital commitments of approximately RMB4,014.7 million (US\$553.7 million).

Since June 30, 2023, we have continued to enter into short-term and long-term borrowings during our ordinary course of business to finance our operations. See “Description of Other Material Indebtedness”, including without limitation, (i) the CBI August 2023 Facility in an amount up to US\$40 million, and (ii) the CBI November 2023 Facility in an initial amount up to HK\$1,535 million, RMB500 million and US\$30 million and additional amounts up to HK\$250 million pursuant to an additional facility accession agreement and “Recent Developments” for further information.

Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our indebtedness or capitalization since June 30, 2023.

## INDUSTRY OVERVIEW

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

### Overview

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

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

Aluminum is an abundant element in nature, and its principal commercial ore is bauxite. Bauxite is largely found in tropical areas of the world, with the main global reserves located in Guinea, Australia, Brazil, Vietnam and Jamaica. From bauxite, aluminum is produced in two stages. Bauxite is processed in an alumina refinery to produce alumina ( $Al_2O_3$ ), an oxide of aluminum. Other than being used to produce alumina, bauxite can be used to produce alumina cement, refractory materials, or be used in casting. Alumina is then processed into primary aluminum in an electrolytic smelter. There are two smelting technologies involved in the electrolytic process commonly used to produce primary aluminum: the "Söderberg" or "self-baking" technology and the "pre-baked" technology. According to Antaika, 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 memorandum. Our aluminum products mainly consist of molten aluminum alloy, aluminum alloy ingots and aluminum fabrication products. Our other products include alumina and steam.

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

### Global Aluminum Industry

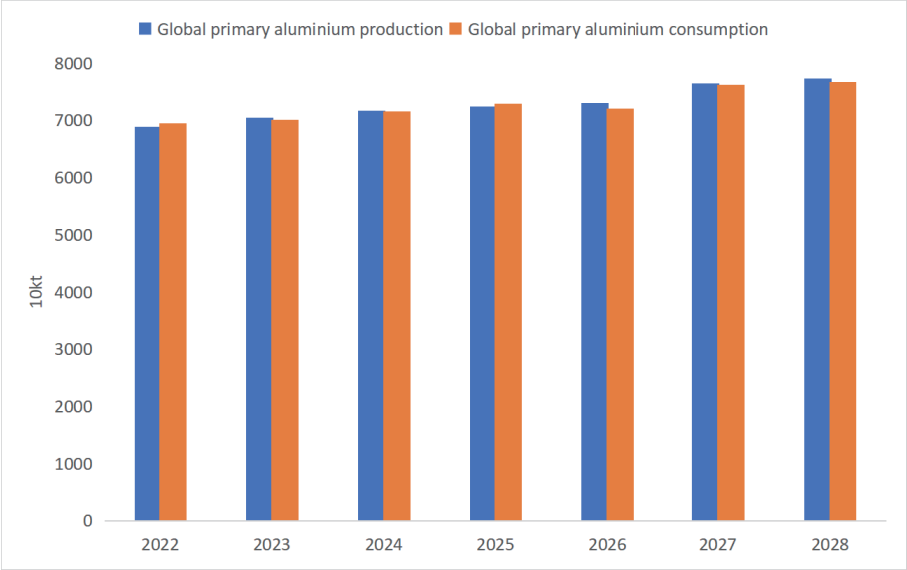
With broad end-use markets, aluminum consumption has been particularly linked to GDP growth.

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

China’s rapid economic development has greatly boosted the consumption of primary aluminum. In 2005, China started to surpass the United States as the world’s largest consumer of primary aluminum. By 2023, China’s primary aluminum consumption has accounted for 61.1% of the global consumption.

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

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



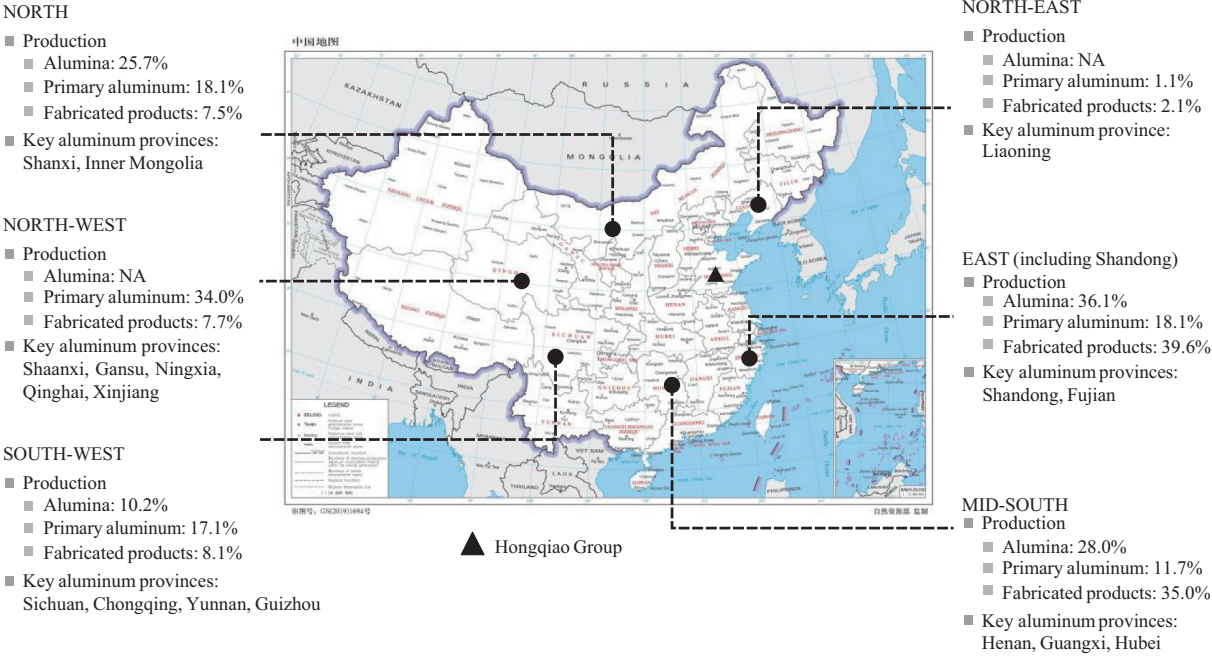
Source: Antaika



# PRC ALUMINUM INDUSTRY

## Geographical Distribution of Aluminum Production in China

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



Source: Antaika

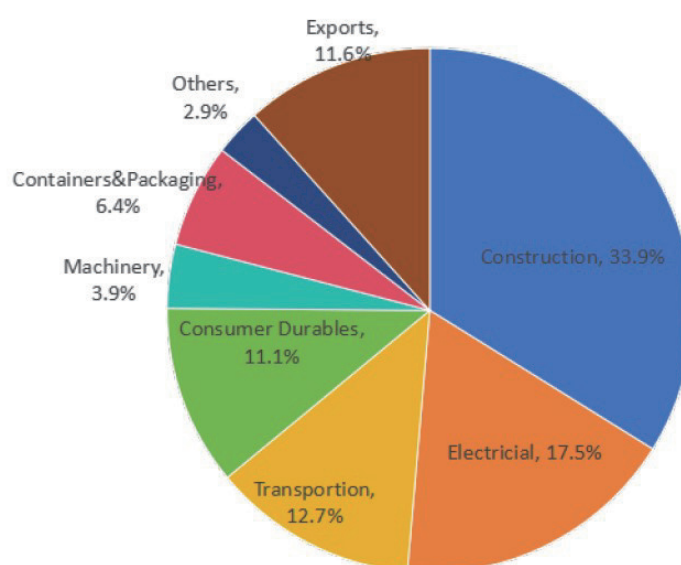
Notes: Definition of the regions is provided by Antaika as follow:  
 East region – Shandong, Jiangsu, Anhui, Zhejiang, Jiangxi, Fujian and Shanghai  
 North-east region – Heilongjiang, Jilin and Liaoning  
 Mid-south region – Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan  
 South-west region –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

As of December 31, 2023, Chinese aluminum manufacturers are distributed across 17 provinces and municipality in China. East China region, including Shandong Province, where our production facilities are located, is the second largest primary aluminum production region in China, representing 18.1% of the country’s primary aluminum production for 2023. Within this region, the Yangtze River Delta is one of the most important and developed economic and manufacturing center in China. Meanwhile, primary aluminum production in South-west China region also accounted for 17.1% of the country’s primary aluminum production for 2023.

### ***Strong domestic demand***

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

China has been a key driver of the global aluminum industry over the past decade, and has surpassed the United States as the largest aluminum consumer globally since 2005. In the year of 2023, China consumed approximately 42.8 million tons of primary aluminum, representing 61.1% of world total consumption. This ratio is expected to decrease to 56.7% by 2027, according to Antaïke. The chart below shows the breakdown of domestic aluminum consumption by end-use in China in the year of 2023.



Source: Antaïke

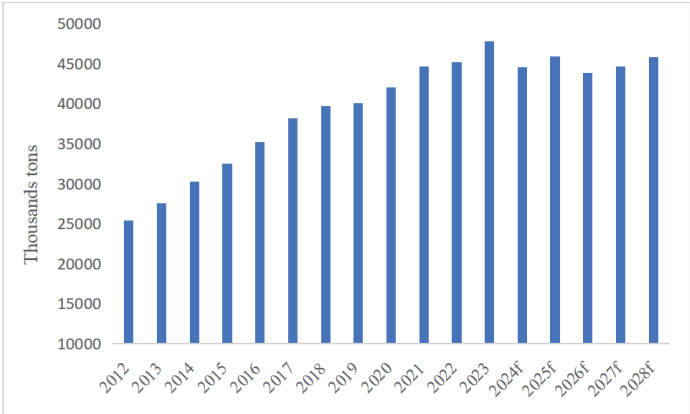
The table below sets forth an overview of the aluminum consumption in China and the United States, Japan, Germany and Canada in the year of 2023.

### **Aluminum consumption data in 2023**

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

Source: World Economics and Antaïke

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



Source: Antaike

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

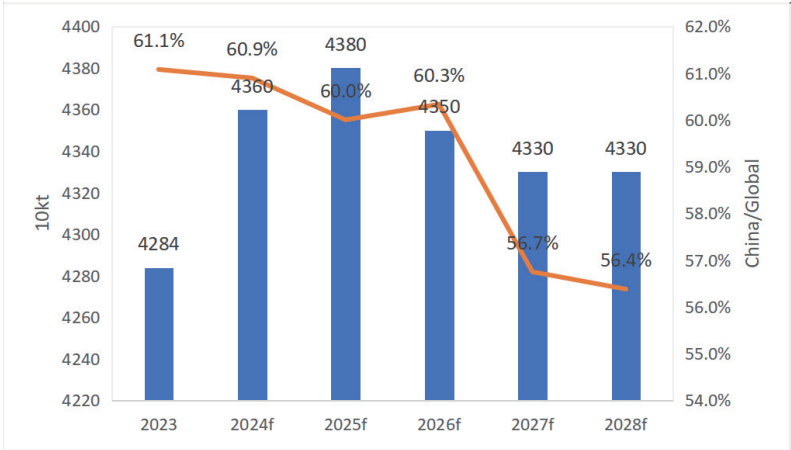
*Construction*

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

*Automotives*

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

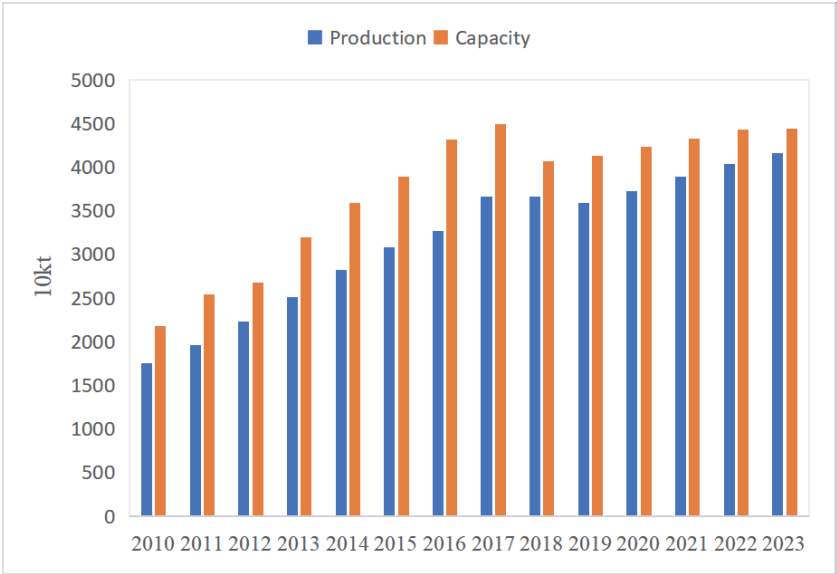
Antaika estimates that China’s primary aluminum consumption will be approximately 43.3 million tons in 2028, as shown in the chart below.



Source: Antaika

**Growing domestic production**

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



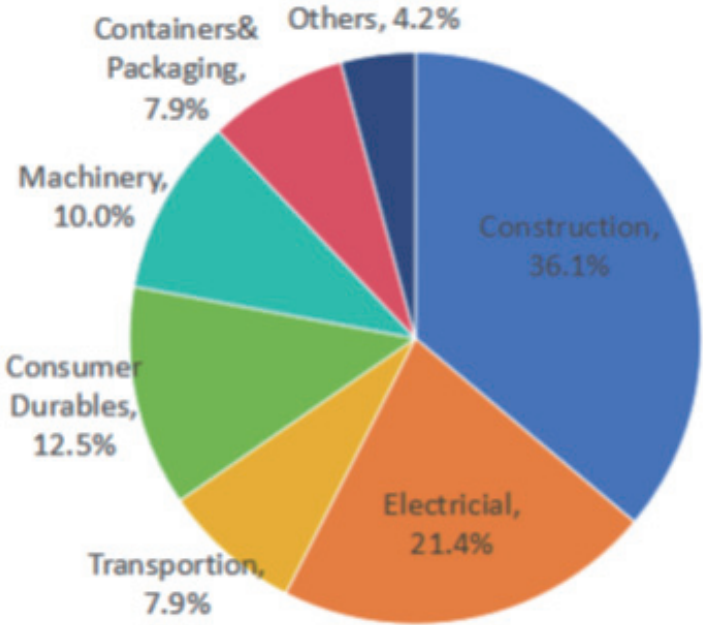
Source: Antaika

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

**Overview of domestic downstream fabrication sector**

Aluminum is further processed into aluminum fabrication products through reheating, molding, casting, cutting, extruding and shaping processes. China has been both the largest consumer and manufacturer in the world since 2005 and 2001, respectively, according to Antaika. Aluminum flat-rolled products and aluminum extruded products are the two key segments in the PRC downstream fabrication sector accounting for approximately 89.5% of total aluminum fabrication production, according to Antaika.

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



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

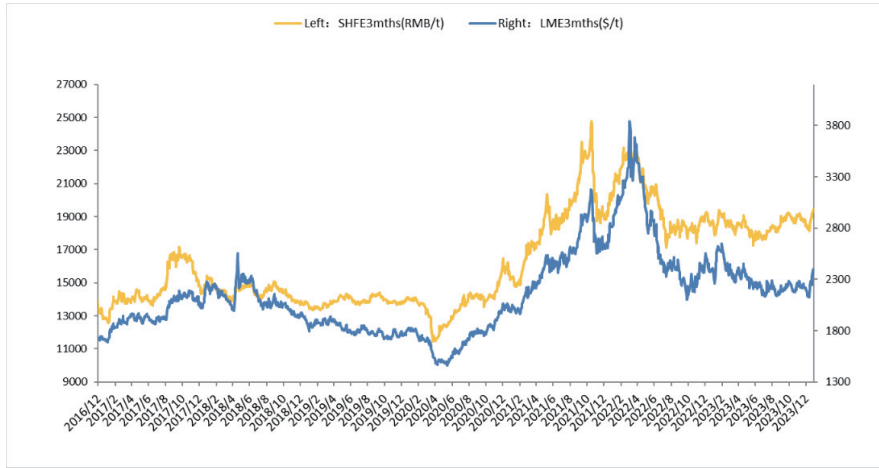
Source: Antaika

Although transport and packaging only account for a small share (accounting for 7.9% and 7.9% of current aluminum fabrication products consumption in China, respectively) in 2023, we believe they represent two of the key drivers of future demand growth for aluminum fabrication products, given the significant growth potentials in tin cans, food packaging, automotives and urban subway in China. Antaika estimates that China’s aluminum fabrication products consumption will grow steadily at a CAGR of 1.7% from 2024 to 2028.

**Aluminum Price**

**Historical price overview**

Aluminum price has experienced significant fluctuations in the recent past. The following chart shows aluminum 3-month London Metal Exchange, or the LME, price and 3-month Shanghai Futures Exchange, or the SHFE, price from January 2022 to December 2023.

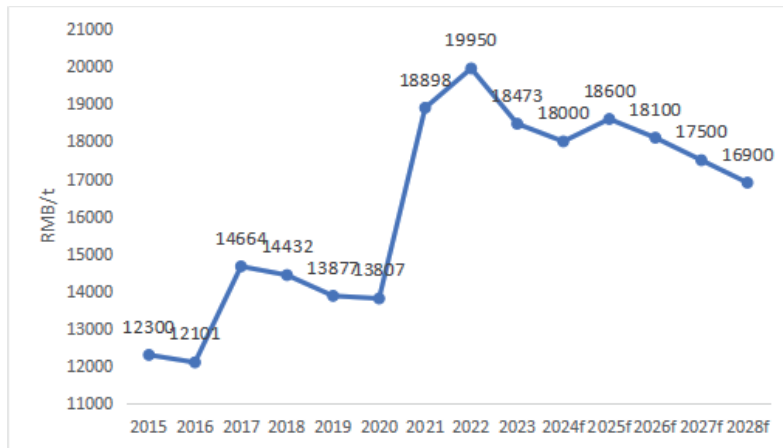


Source: Wind Info.

In 2023, the global economy gradually recovered due to the long-term economic stimulus plans implemented by major economies such as the United States. Demand grew sharply, while the brokage of the supply chain due to the COVID-19 has not repaired. The LME spot and 3-month future price averaged US\$2,250 and US\$2,288, representing a decrease of 16.8% and 15.7%, respectively, from 2022. During the same period, SHFE spot and 3-month future price averaged RMB18,698 and RMB18,473, representing a decrease of 6.3% and 6.9%, respectively, from 2022.

**Price outlook**

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



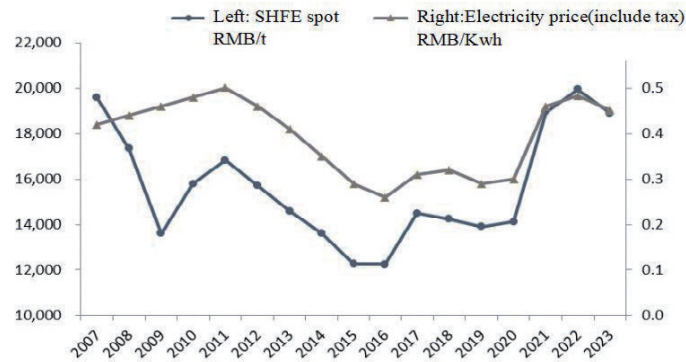
Source: Antaika

## Cost Overview

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

### Electricity cost

Electricity costs vary across different regions and aluminum manufacturers in China. The industry average unit electricity cost increased steadily from 2007 to 2011. However, electricity costs decreased in 2012 to 2016, due to decrease in coal prices and increase in capacity of aluminum manufacturers to generate electricity in-house. In 2023, the average unit electricity cost was RMB0.452/kWh, representing a decrease of 4.1% from 2022.

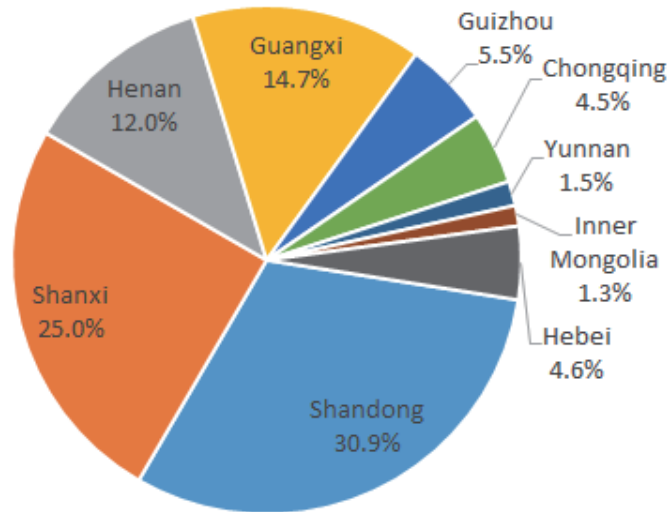


Source: Antaika

With the rapid growth of aluminum smelting capacity in China, electricity supply to this sector has been tight. The electricity cost accounted for 39% of the total production costs of aluminum in China in 2021, as compared to that of 44% in 2010. Therefore, according to Antaika, 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 2023, a total of 38 aluminum manufacturers in China operated captive power plants. The aluminum production capacity of these manufacturers represents approximately 58% of total aluminum production capacity in China. The price of electricity is affected by the price of coal. According to Antaika, the average price of mix-quality coal quoted by Qinhuangdao Shanxi quality index was RMB1,220 per ton and RMB952 per ton for 2022 and 2023, respectively.

### ***Alumina cost***

Alumina is another major cost to aluminum production. According to Antaike, China had annual alumina production capacity of 103.4 million tons as of December 31, 2023. The actual domestic alumina production was 82.3 million tons in 2023. The major suppliers are located in Shandong, Shanxi, Henan and Guangxi Provinces, which represent 30.9%, 25.0%, 12.0% and 14.7% of China’s alumina production capacity in 2023, respectively. The geographical distribution of China’s alumina production capacity in 2023 is shown in the chart below.



Source: Antaike

According to Antaike, the average prices of alumina produced domestically in China were RMB2,945 per ton and RMB2,916 per ton for 2022 and 2023, respectively, and the average import price of alumina in China was US\$362 per ton and US\$343 per ton for the same respective year.

### **Competitive Landscape**

As of December 31, 2023, there were a total of 99 aluminum manufacturers in China, according to Antaike. They are located in 17 provinces and municipality, with Shandong, Xinjiang and Inner Mongolia as the three largest producing provinces, accounting for 16.0%, 14.2% and 14.7% of domestic capacity as of December 31, 2023, respectively. The following chart sets forth the top ten aluminum manufacturers in China in terms of aggregate annual aluminum production capacity as of December 31, 2023 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 December 31, 2023 (thousand tons per annum)	Nature of Ownership
1	Group 1	7,660	State-owned enterprise
2	<b>China Hongqiao Group Limited (our Group)</b>	6,459	Private
3	Group 2	4,270	State-owned enterprise
4	Group 3	3,800	Private
5	Group 4	2,160	Private
6	Group 5	1,700	State-owned enterprise
7	Group 6	1,700	State-owned enterprise
8	Group 7	1,692	Private
9	Group 8	1,300	State-owned enterprise
10	Group 9	1,200	Private
<b>Total (% of China)</b>		<b>31,941 (71.9%)</b>	

Source: Antaike

As of December 31, 2023, these ten manufacturers had aggregate designed annual production capacity of approximately 3,194 million tons and accounted for an aggregate of approximately 71.9% of China's domestic capacity. The table below shows the breakdown of aluminum manufacturers by production capacity as of December 31, 2023.

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

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

Source: Antaike

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

The PRC governmental authorities have promulgated a series of policies on the aluminum industry recently, including the Guiding Opinions on Further Supporting the Restructuring and Revitalization of Key Industries and Curbing Overcapacity in Some Industries through Financial Services (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》) promulgated on December 22, 2009 by the People's Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission and China Insurance Regulatory Commission, or the Policies. The Policies are aimed at restricting the investment in industries with excess production capacity, including

production of electrolytic aluminum. In 2011, the PRC government increased twice the electricity tariff, which increased the cost of aluminum producers that purchased on-grid electricity. Our Group was not impacted by these increases.

In April 2017, the NDRC, the Ministry of Industry and Information Technology, the Ministry of Land and Resources and the MOEE jointly issued the Notice of Specific Action Working Plans Regarding Regulating Unlawful Electrolytic Aluminum Projects (《清理整頓電解鋁行業違法違規項目專項行動工作方案的通知》), which was aimed at regulating unlawful electrolytic aluminum projects. The issuance of such policy manifests continuing promotion of the reform of the supply-side and healthy and stable development of Chinese aluminum industry by the PRC government. As a result of these policies, our Group was required to reduce our production scale by shutting down electricity aluminum projects with production capacity of 2.68 million tons. Such reduction could negatively affect our revenue and net profits. See “Risk Factors – Risks Relating to Our Industry – Changes in laws, regulations or enforcement policies in China could adversely affect our business”. However, in the long run, we believe that, the reform of the supply-side in the aluminum industry will promote healthy and sustainable development of the industry and help support increase of aluminum prices, which would have a positive effect on the cash flow of our Group, and contribute to enhancing our profitability.

### ***Competition in the Aluminum Fabrication Products Segments***

Precise aluminum products are advanced aluminum fabrication products, mainly including aluminum cans; high-grade aluminum foil and other high-grade aluminum flat-rolled products, and seamless pipes and other aluminum extrusion products. According to Antaike, there were approximately 200 aluminum sheets and cords manufacturers and 120 aluminum foils manufacturers in China as of December 31, 2023, with total production capacities of approximately 17.6 million and 6.5 million tons per annum, respectively. The two tables below list out the top five aluminum sheets and strip manufacturers and top five aluminum foils manufacturers in China.

#### **Top five aluminum sheet and strip manufacturers in China**

<b>Company</b>	<b>Designed capacity as of December 31, 2023</b>	<b>Nature</b>
	<b>(thousand tons per annum)</b>	
Group 1 . . . . .	1,200	Private
Group 2 . . . . .	1,150	Private
Group 3 . . . . .	950	Private
Group 4 . . . . .	500	Private
Group 5 . . . . .	450	Private
<b>Total (% of China)</b> . . . . .	<b>17,620 (24.1%)</b>	

*Source: Antaike*

### Top five aluminum foil manufacturers in China

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

Source: Antaike

For aluminum extrusion products, as of December 31, 2023, there were approximately 1,100 manufacturers in China with a total production capacity of approximately 32.3 million tons per annum, according to Antaike. The table below lists out the top six aluminum extrusion product companies in China.

### Top six aluminum extrusion product manufacturers in China

Company	Designed capacity as of December 31, 2023 (thousand tons per annum)	Nature
Group 1 .....	1,400	Private
Group 2 .....	800	Mixed
Group 3 .....	400	Private
Group 4 .....	500	Private
Group 5 .....	450	Private
Group 6 .....	450	Private
<b>Total (% of China)</b> .....	<b>32,250 (12.4%)</b>	

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 December 31, 2023, it had a designed primary aluminum production capacity of approximately 7.2 million tons, which made it the largest aluminum manufacturing base in China, accounting for approximately 16% of total domestic capacity. In addition, Shandong Province is China's largest alumina supply base, with an annual capacity of approximately 27.4 million tons for 2023, accounting for 31% of domestic alumina capacity.

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

As of December 31, 2023, there were three aluminum manufacturers in Shandong Province. The table below sets forth the top three aluminum manufacturers in Shandong Province by designed annual production capacity.

**Top three aluminum manufacturers in Shandong Province**

<b>Company</b>	<b>Designed annual production capacity as of December 31, 2023</b>
	<b>(thousand tons)</b>
<b>China Hongqiao Group Limited (our Group)</b> . . . . .	4,960
Shandong Group 1 <sup>(1)</sup> . . . . .	1,580
Shandong Group 2 . . . . .	660
<b>Total (as a % of total Shandong Province)</b> . . . . .	<b>7,200 (100%)</b>

*Source: Antaike*

(1) Shandong Group 1 also has a production capacity of 2,220 tons per annum outside Shandong Province. Its total capacity is 3,800 tons per annum and is referred to as Group 2 in the table headed “Top ten aluminum manufacturers in China” under “Industry Overview – Competitive Landscape.”

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

***Overview of molten aluminum alloy***

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

*Reduction of energy consumption and waste gas emission*

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

*Cost saving*

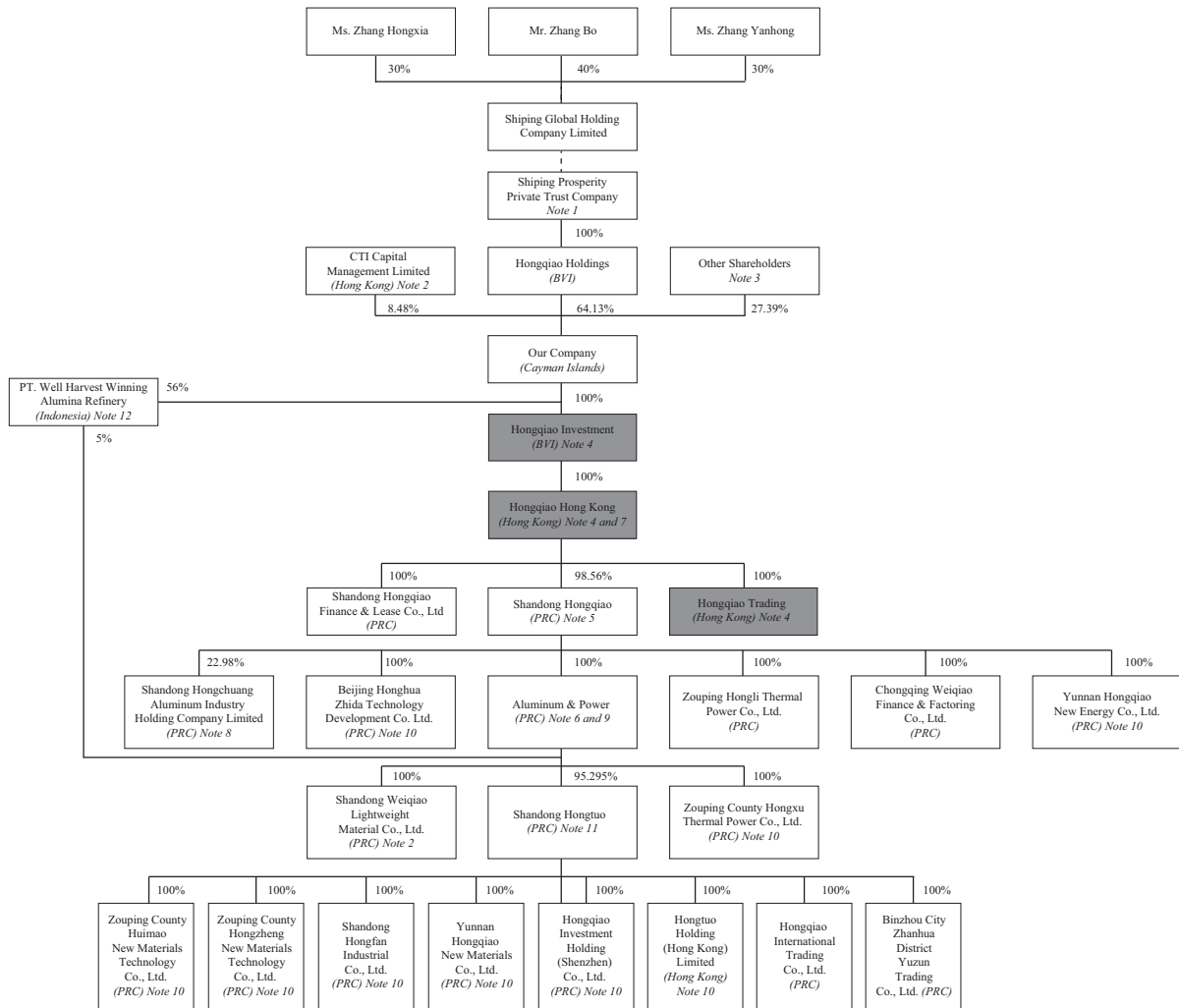
Molten aluminum alloy saves molding costs, associated energy, labor, and other relevant costs for producers. Customers also benefit from saving the energy cost of melting aluminum alloy ingots for further processing. Antaike estimates the overall cost benefits for customers to be approximately RMB500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

*Molten aluminum alloy supply and demand in the Zouping region*

Antaike expects the annual production capacity of downstream customers in the Zouping region to grow from 6.27 million tons in 2024 to 6.38 million tons in 2028, and annual demand for primary aluminum in the Zouping region to grow from 4.13 million tons in 2024 to 4.2 million tons in 2028. Antaike expects these growth and greater acceptance of molten aluminum to cause demand for molten aluminum to further increase. Antaike expects annual consumption for molten aluminum to grow from 3.8 million tons in 2024 to 3.9 million tons in 2028. Furthermore, Antaike expects that 92% of the demand for aluminum in 2028 in the Zouping region will be met by molten aluminum. According to Antaike, the Group's molten aluminum production capacity accounted for 100% of the total molten aluminum production capacity in Zouping as of December 31, 2023.

## CORPORATE STRUCTURE

The chart below sets forth our simplified corporate structure as of the date of this offering memorandum.



**Notes:**

- (1) Shipping Prosperity Private Trust Company holds its shares in Hongqiao Holdings in trust. Shipping Global Holding Company Limited (“**Shipping Global**”) is the settlor, protector and one of the beneficiaries of Shipping Prosperity Trust. Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong held 40%, 30% and 30% equity interests in Shipping Global respectively, and to maintain an acting-in-concert arrangement in respect of the exercise of the shareholders’ rights of Shipping Global. Accordingly, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of our Company held by Hongqiao Holdings.
- (2) In November 2017, CTI Capital Management Limited, an indirectly wholly-owned subsidiary of CITIC Limited, which in turn is ultimately controlled by CITIC Group Corporation, subscribed for approximately 10% of our then share capital.
- (3) Mr. Zhang Bo holds approximately 0.09% of the issued share capital of our Company and the other Shareholders hold approximately 27.30% of the issued share capital of our Company.
- (4) Entities shaded in grey will be the Subsidiary Guarantors of the Notes.
- (5) On February 7, 2024, two investors of Shandong Hongqiao exercised an option requiring the repurchase of 3.25% and 0.79% of the equity interest in Shandong Hongqiao as held by each of them respectively. After completion of the purchase, Shandong Hongqiao was directly and indirectly held as to 98.56% by Hongqiao Hong Kong (including 4.04% interest indirectly held through a wholly-owned subsidiary of Hongqiao Hong Kong).
- (6) Shandong Hongqiao acquired Aluminum & Power in June 2006 and completed the domestic restructuring of our Group.

- (7) Hongqiao Hong Kong owns the following subsidiaries or associates, directly or indirectly: (a) Shandong Renzhi Automobile Lightweight Technology Co., Ltd. (PRC); (b) Shandong Qingjin Precision Casting Co., Ltd. (PRC); (c) Weihai Hongxin New Material Co., Ltd. (PRC); (d) Binzhou Zhanhua Chenhai New Material Co., Ltd. (PRC); (e) Shandong Hongji Electric Drive Technology Co., Ltd. (PRC); (f) Shandong Hongyan Automobile Co., Ltd. (PRC); (g) Shandong Hongwen Automotive Chassis System Co., Ltd. (PRC); (h) Shandong Hongtu Power Energy Co., Ltd. (PRC); (i) Hongqiao Commercial Factoring (Shenzhen) Co., Ltd. (PRC); (j) Shandong Hongcan Material Technology Co., Ltd. (PRC); (k) Weihai Xingheng New Material Technology Co., Ltd. (PRC) (owned as to 30%); (l) Winning Consortium Alumina Pte Ltd (Singapore) (owned as to 70%); (m) Winning Consortium Railway Pte Ltd (Singapore) (owned as to 29%); (n) GTS Global Trading PTE Ltd (Singapore) (owned as to 25%); (o) Africa Bauxite Mining Company Limited (BVI) (owned as to 25%); (p) Winning Alliance Port SA (Guinea) (owned as to 22.5%); (q) Winning Consortium Alumina Company Ltd (BVI) (owned as to 70%); and (r) Winning Consortium Alumina Guinea SA (Guinea) (owned as to 70%).
- (8) Shandong Hongchuang Aluminum Industry Holding Company Limited owns the following subsidiaries or associates, directly or indirectly: (a) Zouping Hongzhuo Aluminum Industry Co., Ltd. (PRC); (b) Zouping County Hongcheng Aluminum Industry Technology Co., Ltd. (PRC); (c) Zouping Hongshuo Aluminum Co., Ltd. (PRC); (d) Binzhou Hongbo Aluminum Industry Technology Co., Ltd. (PRC); (e) Shanghai Lushen Aluminum Products Co., Ltd. (PRC); (f) Qingdao Hongyuan Zhuoyue International Trading Co., Ltd. (PRC); and (g) Zouping Hongze Renewable Resources Co., Ltd. (PRC).
- (9) Aluminum & Power owns the following subsidiaries or associates, directly or indirectly: (a) Shandong Hongbin International Co., Ltd. (PRC); (b) Shanghai Helu Equity Investment Management Co., Ltd. (PRC); (c) Shandong Weiqiao Aluminum & Electricity R & D Center Co., Ltd. (PRC); (d) Binzhou City Hongtong Resources Comprehensive Utilization Co., Ltd. (PRC); (e) Shandong Xiangtong Logistics Co., Ltd (PRC); (f) Zouping County Huicai New Materials Technology Co., Ltd. (PRC); (g) Zouping County Huiju New Materials Technology Co., Ltd. (PRC); (h) Zouping Binneng Energy Technology Co., Ltd. (PRC) (owned as to 37.5%); (i) Shandong Zhilv High Performance Alloy Materials Co., Ltd. (PRC) (owned as to 35%); (j) Winning Consortium Holdings Pte Ltd. (Singapore) (owned as to 50%); (k) Shandong Weiqiao Haiyi Environmental Protection Technology Co., Ltd. (PRC) (owned as to 30%); (l) Societe Miniere De Boke Sa (Guinea) (owned as to 22.5%); (m) Zhongheng Cooperation Investment Co., Ltd. (PRC) (owned as to 20%); (n) Shanghai Helu New Materials Technology Co., Ltd. (PRC); (o) Shandong Weiqiao Kuaike Environmental Protection Technology Co., Ltd. (PRC) (owned as to 40%); (p) Yunnan Hongan Resources Comprehensive Utilization Co., Ltd. (PRC); (q) Yunnan Hongkang Solid Waste Disposal and Utilization Co., Ltd. (PRC) (owned as to 51%); and (r) Linyi Weiqiao Guoke Venture Capital Fund Partnership Enterprise (Limited Partnership) (PRC) (owned as to 49.83%).
- (10) These entities also directly or indirectly own a number of subsidiaries or associates in the PRC respectively.
- (11) On December 14, 2023, December 15, 2023, December 18, 2023 and December 21, 2023, Shandong Hongtuo and Shandong Hongqiao successively entered into the capital contribution agreements with Tianjin Juxin, Jinan Jiahui, CITIC FAMC, Jinan Junyue, China Orient, Ningbo Xinlv, Jinan Hongtai, and Tiancheng Xincheng Phase I, pursuant to which each of Tianjin Juxin, Jinan Jiahui, CITIC FAMC, Jinan Junyue, China Orient, Ningbo Xinlv, Jinan Hongtai, and Tiancheng Xincheng Phase I agreed to subscribe for new capital in Shandong Hongtuo with the consideration of RMB500 million, RMB530 million, RMB500 million, RMB201.6 million, RMB500 million, RMB400 million, RMB301 million and RMB30 million, respectively (and in aggregate, the total consideration was RMB2.9626 billion). After completion of the aforesaid capital increase, Shandong Hongtuo is held as to approximately 95.295% by Aluminum & Power and as to approximately 4.705% in aggregate by the aforesaid investors, respectively.
- (12) PT. Well Harvest Winning Alumina Refinery is owned by our Company as to 56% and by Aluminum & Power as to 5%.

## BUSINESS

### OVERVIEW

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of June 30, 2023, we were the second largest aluminum manufacturer in China in terms of aggregate annual aluminum production capacity, according to Antaike. We have vertically integrated operations that encompass the entire aluminum industry value chain consisting of production facilities for alumina, molten aluminum alloy and aluminum alloy ingots, aluminum fabrication production facilities, as well as self-supporting power generation facilities.

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

We currently have twelve manufacturing bases in Indonesia, as well as Wenshan, Honghe, Weihai, Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Boxing, Yangxin and Huimin of the PRC, respectively. Our annual production capacity of aluminum products was approximately 6.46 million tons as of June 30, 2023 with utilization rates of approximately 94.7% for the six months ended June 30, 2023.

#### *Our Products*

Our aluminum products mainly consist of molten aluminum alloy, aluminum alloy ingots, and aluminum fabrication products. Our aluminum products are made from alumina and carbon anodes through a smelting process by means of electrolytic reduction. We also actively expand the manufacture business for lightweight materials and secondary aluminum in recent years. We completed our installation of the first aluminum recycling production line in 2021. Our other products include alumina and steam. We sold approximately 5.7 million tons, 5.7 million tons, 6.1 million tons, 3.0 million tons and 3.1 million tons of aluminum products and generated revenue of approximately RMB72,038.3 million, RMB96,836.9 million, RMB109,529.3 million (US\$15,104.8 million), RMB57,548.1 million and RMB51,623.8 million (US\$7,119.2 million) from sales of aluminum products for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Molten aluminum alloy is our major product, the sales of which accounted for approximately 68.9%, 69.4%, 65.2%, 65.3% and 61.4% of our revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Compared with the production of aluminum alloy ingots, the production of molten aluminum alloy allows us to avoid incurring significant molding and other relevant costs. We are able to provide our customers with molten aluminum alloy due to our close proximity to them, which, we believe, provides us with significant cost and operational advantages and results in other synergies. All of our aluminum alloy ingots are produced with self-manufactured molten aluminum alloy.

#### *Our Main Cost Items*

Our two main cost items in the production of aluminum are alumina and electricity. Each of these items accounted for more than 30% of our total cost of sales for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.



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

Our in-house alumina plants commenced production in 2012. For the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, the self-produced alumina used by our Group accounted for 88.4%, 78.0%, 74.4%, 72.3% and 80.3%, respectively, of the alumina we used in our production of our aluminum products. As of June 30, 2023, we had an aggregate annual production capacity of 19.5 million tons of alumina. We produced alumina at a cost below the purchase price of alumina that we purchase externally. The remainder of our required alumina were mainly purchased from suppliers from whom, due to our long-term commitment and bulk purchase, we have been able to purchase alumina at prices below average market price.

For the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we produced 63.8%, 62.6%, 56.5%, 57.2% and 56.6%, respectively, of the electricity we used in our production of aluminum products at our thermal power stations. As of June 30, 2023, our power station had an aggregate installed capacity of 10,015 MW. We produced this portion of electricity at a cost below the purchase price of electricity that we purchase externally. The remainder of our required electricity was purchased from a supplier pursuant to a direct power supply agreement and delivered via our in-house power grid. Due to our off-grid structure, bulk purchases and long-term cooperation, we have been able to purchase our electricity from our supplier at a price below average on-grid electricity price.

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

Alumina	For the year ended December 31,						For the six months ended June 30,			
	2020		2021		2022		2022		2023	
<b>Total Alumina consumed</b>										
(million tons) . . . . .	10.94	100.0%	11.02	100.0%	11.92	100.0%	5.83	100.0%	6.04	100.0%
Self-produced (million tons) . . . . .	9.67	88.4%	8.59	78.0%	8.87	74.4%	4.21	72.3%	4.85	80.3%
External purchase (million tons) . . . . .	1.27	11.6%	2.43	22.0%	3.05	25.6%	1.62	27.7%	1.19	19.7%

Electricity	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
Total electricity consumed (million KWh) . . . . .	82,470	82,622	88,182	42,882	44,459
Self-produced (million KWh) . . . . .	52,595	51,735	49,842	24,550	25,150
External purchase (million KWh) . . . . .	29,875	30,887	38,340	18,332	19,309
Self-sufficiency rate . . . . .	63.8%	62.6%	56.5%	57.2%	56.6%

### ***Our Customers***

We sell most of our aluminum products to domestic customers, who are located mainly in Shandong Province as well as other regions of China. Our customers include (i) downstream aluminum fabrication product manufacturers, who process our aluminum alloy products into aluminum fabrication products, such as aluminum plates, aluminum wire and wheel hubs, and (ii) traders, who in turn resell our aluminum products to downstream aluminum fabrication product manufacturers or other traders. Certain of our customers are domestic premium aluminum fabrication product manufacturers and well-known traders. As of June 30, 2023, 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 59.0%, 56.6%, 53.3%, 53.5% and 47.3% of our revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Our history of relationship with our top customers range from ten to seventeen years.

Our largest customer accounted for approximately 39.1%, 38.3%, 38.0%, 37.7% and 35.2% of our revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

### **Our Competitive Strengths**

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

Founded in 1994, our Group is a leading large-scale aluminum product manufacturer based in China. As of June 30, 2023, we were the second largest aluminum manufacturer in China in terms of aggregate annual aluminum production capacity, according to Antaike. We believe our size and proven ability to deliver significant volumes across key customers have helped us to achieve significant economies of scale. By leveraging our scale and established market position, we are able to maintain solid development and sustainable and resilient profitability. Our overall gross profit margin for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 were approximately 22.5%, 26.6%, 13.8%, 21.8% and 9.0%, respectively. We believe this also ensures that customers can rely on us in terms of contract delivery which in turn has led to a high contract renewal rates and also allowed us to obtain significant negotiating leverage to obtain competitive commercial terms for our products.

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

#### ***Vertically integrated business model providing significant cost advantages***

We are vertically integrated with self-owned alumina plants, primary aluminum plants, captive power plants and downstream aluminum production facilities. We also actively expanded our procurement channels of bauxite, which is the upstream production raw material of alumina, by importing bauxite from various places of origin, mainly including Indonesia, Australia as well as our own bauxite mining project in Guinea. Vertical integration provides us with numerous cost advantages and allows us to be more competitive in the industry. As of June 30, 2023, we had an annual production capacity of aluminum of approximately 6.46 million tons. Self-produced alumina satisfied approximately 80.3% of our total alumina demand for the six months ended June 30, 2023 and this self-sufficiency rate is expected to maintain at the current level. In addition, our captive power plants had an aggregate installed capacity of 10,015 MW as of June 30, 2023. Self-produced electricity satisfied approximately 56.6% of our total electricity needs for the six months ended June 30, 2023. In addition, we have been actively expanding the manufacture and sale of aluminum fabrication products. Sales of aluminum fabrication products grew from RMB12,523.9 million in 2021, accounting for approximately 10.9% of our total revenue for the year, to RMB13,302.3 million in 2022, accounting for approximately 10.1% of our total revenue for the year. We believe offering high value-added aluminum fabrication products will help us to diversify our product mix as well as to capture additional profit margin, because high value-

added aluminum fabrication products generally command a higher margin compared to primary aluminum products. We acquired 28.18% equity interest in Shandong Hongchuang Aluminum Industry Holding Company Limited in April 2017 to further expand into advanced aluminum fabrication. As of June 30, 2023, our aluminum processing line had a total capacity of 1.17 million tons.

Leveraging our vertically integrated business model, we have enjoyed a competitive cost structure. We believe our cost advantage is mainly a result of (i) our large-scale, cost-efficient production facilities, including our captive power stations which provide a stable and low cost off-grid direct power supply and also reduce our exposure to risks of policy changes, (ii) our self-produced alumina and our ability to obtain alumina supply at competitive and advantageous rates, and (iii) our cost savings from focusing on selling molten aluminum alloy. Equipped with these advantages, our unit cost of sales of primary aluminum products for 2022 was approximately RMB15,483 per ton while the industry average was approximately RMB19,950 per ton, according to Antaika. 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 June 30, 2023, the total production capacity of our thermal power stations across our Zouping, Zhanhua District, Beihai New District, Weiqiao, Binzhou, Yangxin and Huimin manufacturing bases was 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 63.8%, 62.6%, 56.5%, 57.2% and 56.6% of the total electricity we used for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. In 2019, we gave priority to the electricity produced by our captive power plants after shutting off certain production capacity in the second half of 2017 in response to the supply side reform of the aluminum industry. As of June 30, 2023, our thermal power stations achieved a high capacity utilization rate with annualized average utilization hours of approximately 5,073 hours. In addition, since January 1, 2010, we have sold steam generated by our thermal power stations. The high capacity utilization rate of our thermal power stations and sales of steam generated by these thermal power stations have further reduced our electricity generation costs.

- *Off-grid direct power supply*

Our eight aluminum manufacturing bases in Shandong Province are 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 June 30, 2023, we had production capacity of 17.5 million tons of alumina in the PRC. We also have our own overseas alumina production facilities. In December 2012, we established the Indonesian Alumina Joint Venture Company for alumina production, in which we hold a 61% interest, directly and indirectly. In the first half of 2016, the first phase of our project in Indonesia (with an annual production capacity of 1.0 million tons of alumina) commenced operation. The second phase of the alumina project in Indonesia (with a further annual production capacity of 1.0 million tons of alumina) have also been put into production by the end of 2021. We fully utilized local resources in Indonesia to strengthen the full integration of the local alumina production into our business and to effectively manage the quality and costs of raw materials. As of June 30, 2023, we had a

production capacity of 2.00 million tons of alumina in Indonesia. The self-produced alumina used by our Group accounted for approximately 88.4%, 78.0%, 74.4%, 72.3% and 80.3% of the total alumina that we used for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. We expect to maintain this self-sufficiency rate at the current level. In addition, Bauxite procurement cost is an important cost of alumina production. We have strong bargaining power in the purchase of bauxite and have maintained long-term cooperative relationships with certain suppliers due to our large scale of production. We, along with our joint venture partners, have also successfully created a complete bauxite supply chain in Guinea, linking Africa and China and helping to ensure more stable supply. See “Business – Procurement – Raw Materials – Supply of alumina and bauxite”.

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

Sales of molten aluminum alloy accounted for approximately 68.9%, 69.4%, 65.2%, 65.3% and 61.4% of our revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Molten aluminum alloy is our main product in terms of sales volume and revenue. By focusing on molten aluminum alloy as compared to aluminum alloy ingots, we avoid incurring significant molding costs and associated electricity, labor, storage and other relevant costs. Furthermore, all of our molten aluminum alloy customers are in close proximity to our manufacturing bases. We deliver our molten aluminum alloy directly from our smelters to our customers’ manufacturing sites immediately after it is ordered and manufactured, allowing us to maintain close to zero inventory of molten aluminum alloy and enjoy low transportation costs. By purchasing molten aluminum alloy, our customers minimize transportation costs and save the cost of smelting or reheating aluminum alloy ingots for further processing, including the related equipment, labor and storage costs. According to Antaike, customers that buy molten aluminum enjoy cost savings of around RMB500 per ton. As such, both our customers and we benefit from higher margins. Where customers are further away we will sell them aluminum alloy ingots. Sales of aluminum alloy ingots accounted for approximately 4.5%, 4.2%, 7.9%, 8.1% and 8.5% of our revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

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

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

Our manufacturing bases are connected to the major manufacturing bases of downstream aluminum product companies. For example, we are strategically headquartered in Zouping City, Shandong Province, one of the major aluminum product manufacturing centers in China. Antaike expects annual demand for primary aluminum in the Zouping region to grow from 4.13 million tons in 2024 to 4.20 million tons in 2028, and annual consumption for molten aluminum alloy to grow from 3.80 million tons in 2024 to 3.86 million tons in 2028. Furthermore, Antaike expects that 92% of the demand for primary aluminum and aluminum alloy in 2026 in the Zouping City will be met by molten aluminum alloy. We believe our leading market share in molten aluminum alloy in Zouping City will allow us to maintain strong sales alongside aluminum demand growth in Zouping City. Our manufacturing bases in Shandong Province are connected to the major manufacturing bases of downstream aluminum product companies

located in Henan Province, Liaoning Province and Jiangsu Province, and major alumina manufacturing bases and coal resources in Shandong Province, Shanxi Province and Henan Province by highly developed transportation networks, including highway, railway and sea transportation. There are also large sea ports to import bauxite in Shandong Province, which benefit leading local alumina producers. As a result, together with our local suppliers and customers in the industrial aluminum production cluster, we are able to deliver products to customers and receive raw materials from suppliers in a timely and cost-effective way. Eastern China, including Shandong Province, is the second largest region in China in terms of primary aluminum production, representing 18.1% of the country's primary aluminum production for 2023, according to Antaike. Within this region, the Yangtze River Delta is one of the most important and developed economic and manufacturing centre in China.

### ***Efficient and advanced production facilities***

We have been investing in advanced technologies and equipment, which we believe can improve our operating and production efficiency and lower our production cost. The majority of smelting pots we use in our production are equipped with large electricity prebaked cell with four-ends and a current intensity of 400kA to 600kA (400kA至600kA四端進電大型預熔槽). We have also successfully operated the world's first whole series 600kA production line of aluminum products since the first half of 2015. On December 26, 2016, our subsidiary Aluminum & Power was awarded the China Nonferrous Metals Industry Scientific Technology Award First Prize issued by the China Nonferrous Metals Industry Association (中國有色金屬工業協會) and the Nonferrous Metals Society of China (中國有色金屬學會) for its technical development and industrial application of NEUI600kA efficient aluminum electrolytic cells. In 2016, 2019 and 2020, Shandong Hongqiao was also shortlisted for "Leaders in Energy Efficiency" (能效領跑者名單) by the Ministry of Industry and Information Technology of the PRC. In 2022, Shandong Hongqiao's data center project "Hongqiao HQCloud Industry Internet Platform" was recognized in the "Provincial Industry Internet Platform List 2022". In 2023, Shandong Hongqiao was awarded as a benchmark enterprise in intelligent manufacturing in Shandong Province, and entered into the "2023 Industrial Internet Top 500" list. As of June 30, 2023, all of our production lines for aluminum products had current intensity of over 400kA. For our alumina production, we adopt Bayer's low-temperature and low-pressure method for alumina production to ensure more stable operation of production lines and reduce energy consumption. We also employ advanced technologies and large-scale energy-saving equipment in connection with our power generation including a non-electric-pump system to reduce the electricity usage rate and medium pressure cylinder technology to reduce the energy consumption during the stages of testing and production. In addition, we recycle pebble coal to improve our energy utilization efficiency. We have been listed on the Ministry of Industry and Information Technology's energy efficiency "leader" list in 2016, 2019, 2020 and 2021, respectively, and were the only company of aluminum industry on the list.

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

### ***Sustainable and green production and development***

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

We cooperate with the government of Yunnan Province to establish a green aluminum innovation industrial park, fully enjoying and utilizing the policy for integrating water, electricity and aluminum promoted by the local government. Utilizing the clean hydropower advantage, the industrial park will replace traditional energy with green hydropower, which will further enhance the energy efficiency of our production, reduce reliance on traditional energy, reduce the emission of pollutants and greenhouse gases and lower production cost. The equipment, technology, process and automated control of the green

aluminum innovation industrial park are up to the international leading standard in the industry. Various operations in the production process have achieved basic automation and intelligence, and achieved an advanced level in terms of average labor efficiency per capita. Among these, the 600kA electrolysis cells were awarded the First Prize of the China Nonferrous Metals Industry Scientific Technology Award in 2016. It is currently the largest electrolysis cells model in the world and can effectively reduce flue gas emission. At present, a small part of the industrial park is in operation and we will continue to increase its capacity and expand in scale, so as to enable us to pursue sustainable development. In 2016, 2019 and 2020, Shandong Hongqiao was also shortlisted for “Leaders in Energy Efficiency” (能效領跑者名單) by the Ministry of Industry and Information Technology of the PRC. In 2022, Zouping Hongfa Aluminum Technology Co., Ltd was included in the “Green Factory Demonstration List 2022 of Shandong Province” and awarded the prize of “2022 EcoVadis Corporate Social Responsibility Achievement”. In 2023, we also received the green-power aluminum product evaluation certificate.

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

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

Furthermore, we joined the Aluminium Stewardship Initiative (ASI) in 2021 to accelerate the pace of achieving carbon neutrality and sustainable development, promote responsible production of aluminum and establish close cooperation with other international partners, in order to make positive contributions to the low-carbon transformation of the aluminum industry in China. As of June 30, 2023, our four subsidiaries including Zouping Hongfa Aluminum Technology Co., Ltd, Binzhou Hongzhan Aluminum Technology Co., Ltd, Shandong Hongchuang Aluminum Industry Holding Co. Ltd. and Yunnan Hongtai New Material Co. Ltd have passed the ASI Performance Standard V2 (2017) Certification.

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

### ***High profile professional shareholders***

Since the middle of 2017, we have gained the support of certain high profile professional investors and financial institutions who have invested in our Shares. In June 2017, we entered into a strategic agreement with China CITIC Bank Corporation Limited (“**China CITIC Bank**”), a large domestic commercial bank incorporated in the PRC. Pursuant to the agreement, China CITIC Bank agreed to provide us with comprehensive credit up to RMB20 billion over two years, and to use its financial resources to provide us with other comprehensive financial services including but not limited to cash

management, supply chain finance, investment banking services, international trade services, asset management services and capital market services. Following this, in November 2017, CTI Capital Management Limited, an indirectly wholly-owned subsidiary of CITIC Limited, which in turn 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 our convertible bonds worth US\$320 million. As of the date of this offering memorandum, to our best knowledge, CTI Capital Management Limited is interested in approximately 8.48% of our Shares. Further, in January 2018, we entered into a placing and subscription agreement with the relevant placing agents. Immediately upon completion of the placing, The Capital Group Companies Inc. became a Shareholder which held approximately 6.27% of our then share capital.

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

#### ***Diversified financing channels with prudent financial management***

Leveraging our strong financial and operating performance, we are able to secure funding from diversified financing channels to support our business development. We have entered into long-term relationships with over 40 commercial banks in the PRC and offshore, including, without limitation, Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Everbright Bank, Evergrowing Bank, China Bohai Bank, Shanghai Pudong Development Bank, Crédit Agricole Corporate and Investment Bank, Industrial Bank, ING Bank W.V., Société Générale Corporate and Investment Banking and Industrial and Commercial Bank of China. We further expanded our financing channels by completing a series of issuances of corporate bonds and short- and medium-term debentures in the PRC. As of the date of this offering memorandum, we issued and completed a number of offshore bonds and syndicated loans and issued over 100 onshore bonds. We have also been granted a number of offshore loan facilities such as an aggregate amount up to US\$545.0 million under the Indonesia Phase II Facility (as defined below), an amount up to US\$40 million (or its HK\$ equivalent) under the CBI August 2023 Facility (as defined below), and an initial amount up to HK\$1,535 million, RMB500 million and US\$30 million under the CBI November 2023 Facility (as defined below) (and additional amounts up to HK\$250 million pursuant to an additional facility accession agreement). 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 May 3, 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 April 22, 2019, and we also issued the 7.125% senior notes on July 22, 2019 in the aggregate principal amount of US\$300 million and the 7.375% senior notes on October 2, 2019 in the aggregate principal amount of US\$200 million, which were redeemed in full at their principal amount together with interest accrued to the maturity date on July 22, 2022 and May 2, 2023, respectively. On November 28, 2017, our Company also issued the US\$320 million 5.0% convertible bonds due 2022, which were converted in full in 2022. On January 25, 2021, our Company also issued the January 2021 CB. On June 8, 2021, our Company issued the June 2021 Notes.

In addition, we adhere to prudent financial management policies. Our EBITDA to finance costs ratio was 9.24 for 2021 and 7.66 for 2022. Our annualized net debt to EBITDA ratio was 0.31 for 2021 and 1.34 for 2022. We had bank balances and cash of well over than US\$1.0 billion at the end of each of 2020, 2021 and 2022. As of June 30, 2023, our unsecured bank borrowings accounted for approximately 73.9% of the total bank borrowings and our onshore borrowings accounted for approximately 84.4% of our total borrowings.

### ***Experienced management team with established track record***

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

### **Our Strategies**

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

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

We aim to consolidate our position as a leading manufacturer in China of advanced aluminum fabrication products by using our self-manufactured aluminum products. We plan to achieve this goal progressively. We have established ourselves as a leading manufacturer of aluminum products, which we believe provides us with a market reputation, financial strength and technology that will assist us in further expanding into the downstream market for advanced aluminum fabrication products. We are developing our capacity for the production of advanced aluminum fabrication products at our Binzhou and Zouping manufacturing bases. We acquired 28.18% equity interest in Shandong Hongchuang Aluminum Industry Holding Company Limited in April 2017 to further expand into advanced aluminum fabrication products. We believe that, by offering advanced aluminum fabrication products, we will be able to diversify our product mix and enhance our competitiveness in the market. In addition, as the profit margins of high-end and advanced aluminum fabrication products, such as aluminum casting-rolling products and high precision aluminum plate and strip products, are generally higher than those of our current aluminum products, we will be able to improve our overall profit margin.

We plan to maintain our capacity to supply alumina by our own production. We expect that the alumina we produce will continue to contribute to a substantial portion of our consumption of alumina in the future. As of June 30, 2023, we maintained 2.00 million tons of alumina production capacity in Indonesia and self-produced alumina satisfied approximately 80.3% of our total alumina demand for same period. We expect that the alumina we produce will continue to contribute to a substantial portion of our consumption of alumina in the future.

We believe that our strengthened vertical integration will help us capture additional cost advantages and further improve our competitiveness in the Chinese aluminum market. In addition, we seek to expand our bauxite sources worldwide to ensure the security of our raw material supply. We believe our joint venture engaging in the bauxite mining business in Guinea will help us to achieve this business goal. In addition, we have production lines of secondary aluminum with a production capacity of 512,000 tons per year. Also, the construction of our lightweight base and several lightweight material projects for production of aluminum alloy structural parts, lightweight auto parts and aluminum car body, among other things, helped us stretch to downstream industrial chain.

Moreover, we plan to increase the use of green and renewable energy. We are in the process of transferring part of our Group's existing electrolytic aluminum production equipment to Yunnan Province, which has abundant and competitive supply of hydro-electric power. There is ample alumina supply with proximity to nearby provinces and similar to our manufacturing bases in Shandong Province, we can easily access to downstream production community in Yunnan Province. We believe the partial relocation of our current production capacity to Yunnan Province will help us to take the cost advantage of such competitive hydro power electricity there and allow us to conduct production in a



more environmentally friendly way. As of June 30, 2023, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of approximately 1.07 million tons. We are in the process of further transferring the existing production capacity of electrolytic aluminum to Yunnan Province, which will then operate by using local hydro-power electricity generated in Yunnan Province.

#### ***Enhance product research and development capabilities***

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

#### ***Increase our marketing and sales efforts***

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

### **OUR PRODUCTS**

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

We organize and manage our operations according to our principal products: molten aluminum alloy, aluminum alloy ingots, and aluminum fabrication products. Our other products include alumina and steam. Our molten aluminum alloy and aluminum alloy ingots are labelled as A199.70 aluminum pursuant to the State quality standards promulgated by the PRC government. See "Business – Quality Control." While most of our aluminum products are primary aluminum produced through smelting, we also produce secondary aluminum by refining waste aluminum products. We have completed the construction of production lines of secondary aluminum with a total production capacity of 512,000

tons. In addition, we have been working with Scholz to introduce its state-of-the-art scrapped vehicle dismantling technology and secondary aluminum production technology such that China can achieve non-downgrade use of secondary aluminum.

Our revenue generated from aluminum products accounted for more than 75% of our revenue for each of the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. The following table sets forth the sales volume, revenue, average selling price of, and revenue derived from, each type of our products for the periods indicated:

	For the year ended December 31,												For the six months ended June 30,							
	2020				2021				2022				2022				2023			
	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue	Volume (tons)	Revenue (RMB in millions)	Average selling price (RMB/ton)	Percentage of revenue
Aluminum products																				
Molten aluminum alloy	4,749,202	59,363.1	12,500	68.9%	4,755,276	79,471.5	16,712	69.5%	4,880,995	85,833.9	17,585	65.2%	2,380,725	44,912.5	18,865	65.3%	2,479,790	40,359.3	16,275	61.4%
Aluminum alloy ingot	310,911	3,894.1	12,525	4.5%	296,839	4,841.5	16,310	4.2%	592,158	10,393.1	17,551	7.9%	289,505	5,548.6	19,166	8.1%	343,850	5,620.0	16,344	8.5%
Aluminum fabrication products	601,054	8,781.1	14,609	10.2%	656,595	12,523.9	19,074	10.9%	609,184	13,302.3	21,836	10.1%	306,886	7,087.1	23,093	10.3%	278,497	5,644.5	20,268	8.6%
Subtotal	5,661,167	72,038.3	12,725	83.6%	5,708,709	96,836.9	16,963	84.6%	6,082,337	109,529.3	18,008	83.2%	2,977,116	57,548.1	19,330	83.7%	3,102,137	51,623.8	16,641	78.5%
Steam	4,685,457	619.4	132.2	0.7%	4,972,009	687.1	138.2	0.6%	4,612,845	765.4	165.9	0.6%	3,110,082	484.3	155.7	0.7%	3,292,090	578.3	175.7	0.9%
Alumina	6,733,995	13,486.9	2,002.8	15.7%	7,162,765	16,966.9	2,368.8	14.8%	8,297,516	21,404.8	2,579.7	16.3%	4,026,119	10,706.2	2,659.2	15.6%	5,377,566	13,531.8	2,516.3	20.6%
Total		<u>86,144.6</u>		<u>100.0%</u>		<u>114,490.9</u>		<u>100.0%</u>		<u>131,699.4</u>		<u>100.0%</u>		<u>68,738.7</u>		<u>100.0%</u>		<u>65,733.9</u>		<u>100.0%</u>

### ***Molten aluminum alloy***



Molten aluminum alloy is our main product, and it accounted for approximately 68.9%, 69.5%, 65.2%, 65.3% and 61.4% of our revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Molten aluminum alloy is a red and yellow hot liquid, in which aluminum is the predominant metal and combined with iron, copper, zinc, manganese, silicon, magnesium and other chemical elements. Molten aluminum alloy is an important material for fabricating aluminum products. We use self-manufactured electrolytic aluminum to manufacture molten aluminum alloys.

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

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

*Aluminum alloy ingots*



Sales of aluminum alloy ingots accounted for approximately 4.5%, 4.2%, 7.9%, 8.1% and 8.5% of our revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Molten aluminum alloy is processed into aluminum alloy ingots through molding, casting and cooling. Our aluminum alloy ingots are produced by using self-manufactured molten aluminum alloy.

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

### ***Other aluminum products***

Sales of aluminum fabrication products accounted for approximately 10.2%, 10.9%, 10.1%, 10.3% and 8.6% of our revenue for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, 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 3,229,500 tons as of June 30, 2023. 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 June 30, 2023, our production lines for aluminum fabrication products had an aggregate annual production capacity of approximately 3.23 million tons.

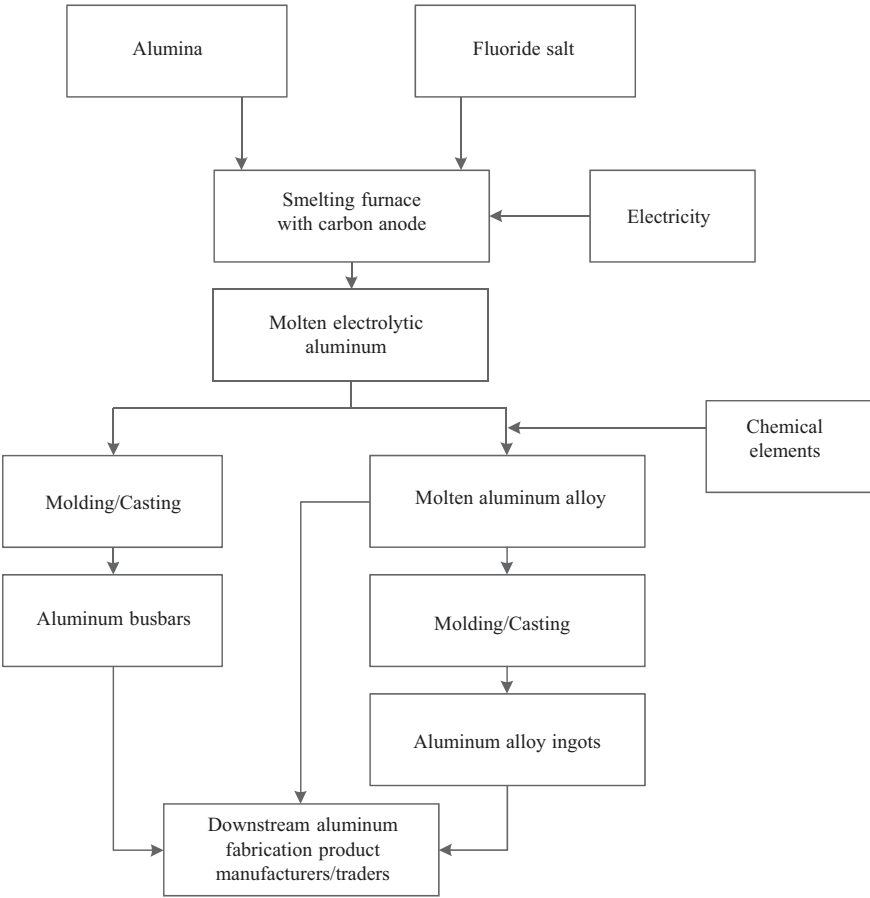
We also constructed lightweight material projects for production of aluminum alloy structural parts, lightweight auto parts and aluminum car body, which, among other things, help us stretch to downstream industrial chain and improve our research and development capacity. For details, see the section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

### **PRODUCTION PROCESS**

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

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

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



**OUR PRODUCTION FACILITIES**

Our Zouping, Beihai New District, Wenshan, Honghe, Weiqiao, Binzhou, Yangxin and Huimin aluminum manufacturing bases had annual production capacity of approximately 2,371,000 tons, 670,000 tons, 1,074,000 tons, 0 tons, 300,000 tons, 723,000 tons, 600,000 tons and 721,000 tons of aluminum product, respectively, as of June 30, 2023 for an aggregate annual production capacity of approximately 6,459,000 tons of aluminum products as of that date. For 2021, we had a weighted average production capacity of approximately 6,459,000 tons and a production volume of approximately 5,633,000 tons. For 2022, we had a weighted average production capacity of approximately 6,459,000 tons and a production volume of approximately 6,041,000 tons.

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

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

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
Annual production capacity at year end (tons) . . . . .	6,459,000	6,459,000	6,459,000	3,229,500	3,229,500
Weighted average production capacity (tons) . . . . .	6,459,000	6,459,000	6,459,000	3,229,500	3,229,500
Production volume (tons) . . . . .	5,622,044	5,633,441	6,040,708	2,930,502	3,059,045
Utilization rate . . . . .	87.0%	87.2%	93.5%	90.7%	94.7%

With the continuous investment in electrolytic aluminum production line, we had steadily increased our aluminum production capacity up to 2016. In the second half of 2017, in connection with an action plan implemented by relevant government authorities to reform the supply-side aluminum industry and limit coal consumption, we have subsequently decreased our annual production capacity by shutting down electrolytic aluminum projects with production capacity of 2.68 million tons. As a result, our annual production capacity as of December 31, 2017 decreased to approximately 6.46 million tons and remained at the same level as of June 30, 2023. For the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our production capacity utilization rates were approximately 87.0%, 87.2%, 93.5%, 90.7% and 94.7%, respectively. We are in the process of transferring part of our Group’s existing electrolytic aluminum production equipment to Yunnan Province. As of June 30, 2023, we have completed the transfer and put into operation of an electrolytic aluminum facility with a production capacity of 1.07 million tons. We plan to further transfer the existing electrolytic aluminum production equipment to Yunnan Province.

## PROCUREMENT

We procure raw materials and energy, including electricity and coal, from external suppliers. Our five largest suppliers together accounted for approximately 43.3%, 41.8%, 40.0%, 36.8% and 31.4%, respectively, of our total procurement for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023. Our largest supplier for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, accounting for approximately 16.8%, 18.0%, 14.0%, 14.2% and 10.8%, respectively, of our total procurement.

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

### *Raw Materials*

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

#### *Supply of Alumina and Bauxite*

In 2012, we constructed facilities to make use of coal fly ash, including an in-house alumina production facility at Zouping Binzhou Beihai Development Zone with an initial aggregate annual production capacity of 3.0 million tons of alumina. Since then, we have continued to increase our in-house production capacity of alumina. As of June 30, 2023, we had production capacity of 17.5 million tons of alumina in the PRC. In addition, on December 27, 2012 we entered into a joint venture with Winning Investment, PT.Cita and PT.Danpac to create an alumina manufacturing base in Indonesia. This manufacturing base commenced the first phase of its operations in the first half of 2016 and the second phase of its operations in 2021. As of June 30, 2023, it has an annual production capacity of 2.0 million

tons of alumina and was in stable operation, and the supporting facilities such as power plants, docks, and living quarters have been constructed simultaneously. It produced approximately 1.0 million tons, 2.0 million tons, 2.0 million tons, 2.0 million tons and 2.0 million tons of alumina, respectively, for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023. The self-produced alumina used by our Group accounted for 88.4%, 78.0%, 74.4%, 72.3% and 80.3% of the alumina (in terms of volume) used in our production of our aluminum products for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. We produce alumina at a cost below the purchase price of alumina that we purchase externally.

Bauxite procurement cost is an important cost of alumina production. We have strong bargaining power in the purchase of bauxite and maintain long-term cooperative relationships with some suppliers due to our increasingly large scale of production. To help ensure a stable supply and reduce relevant risks, we import bauxite from various places of origin, mainly including Indonesia, Australia as well as our own bauxite mining project in Guinea. Further, we have our own overseas alumina production facilities. We were also involved in the successful creation of a complete bauxite supply chain in Guinea, linking Africa and China. In 2015, we entered into joint venture arrangements with, among others, China Yantai Port Group, United Mining Supply of Guinea (a French-invested company in Guinea) and Winning Singapore International Group, for the purpose of developing a bauxite mining project in Guinea. The project involved development of the local bauxite mine as well as investment in the port and local logistics, including construction of barges and docks on either side of the Rio Nunez river. In response to the “Belt and Road Initiative”, we established a “Maritime Silk Road” full value chain logistics line stretching over 14,000 nautical miles. The project commenced operations in 2015 with the first shipment of bauxite from Guinea arriving at our domestic base in November 2015, and has realized production of approximately 41.0 million tons of bauxite in 2020, 34.2 million tons of bauxite in 2021, 44.2 million tons of bauxite in 2022, and 25.1 million tons and 20.4 million tons of bauxite for the six months ended June 30, 2022 and 2023, respectively.

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

#### *Alumina Procurement*

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

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

<u>Alumina</u>	<u>For the year ended December 31,</u>						<u>For the six months ended June 30,</u>			
	<u>2020</u>		<u>2021</u>		<u>2022</u>		<u>2022</u>		<u>2023</u>	
<b>Total Alumina consumed</b>										
(million tons) . . . . .	10.94	100.0%	11.02	100.0%	11.92	100.0%	5.83	100.0%	6.04	100.0%
Self-produced (million tons) .	9.67	88.4%	8.59	78.0%	8.87	74.4%	4.21	72.3%	4.85	80.3%
External purchase (million tons) . . . . .	1.27	11.6%	2.43	22.0%	3.05	25.6%	1.62	27.7%	1.19	19.7%

### *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 costs less than purchasing electricity from an external supplier during the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023. We had electricity production capacity of approximately 10,015 MW as of June 30, 2023. The volume of electricity supplied by our own thermal power stations accounted for approximately 63.8%, 62.6%, 56.5%, 57.2% and 56.6% of the volume of our total electricity consumption for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, 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 a significant and sustained fluctuation. Such agreements do not have a definite term, and remain effective unless otherwise terminated pursuant to the terms of such agreements. For our existing aluminum production facilities in Yunnan Province, all hydro-power electricity used are provided by a third party.



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

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
<b>Electricity</b>					
Total electricity consumed (million KWh) . . . . .	82,470	82,622	88,183	42,882	44,459
Self-produced (million KWh) . . . . .	52,595	51,735	49,842	24,550	25,151
External purchase (million KWh) . . . . .	29,875	30,887	38,340	18,332	19,309
Self-sufficiency rate . . . . .	63.8%	62.6%	56.5%	57.2%	56.6%

***Our thermal power stations***

*Power Generation*

Our existing thermal power stations started to supply electricity to our operations in January 2007. As of June 30, 2023, 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’s power stations were approximately 5,236 hours and 5,027 hours for 2021 and 2022, respectively, and the utilization rate was approximately 59.8% and 57.4% for the same respective year. The average utilization hours of our Group’s power stations for six months ended June 30, 2023 were approximately 5,073 hours and the utilization rate was approximately 57.9% during the same respective period.

*Steam Supply*

Our power stations also produce heat in the form of steam, which is a by-product of power generation. We use most of the steam we produce for in-house production of alumina. We also sell a portion of the steam we produce in the process of electricity generation to other parties. For the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, sales of steam accounted for 0.7%, 0.6%, 0.6%, 0.7% 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 requirement of the coal. When we select coal suppliers, we not only take into account the bidding price, but also carefully consider the candidate’s credit history and ability to supply coal at satisfactory quality on time. We usually pay the purchase price to a coal supplier when the coal supplied by such supplier reaches certain minimum amount. Historically, generally we have been able to purchase sufficient coal in the open market to meet our requirements.

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

	For the year ended December 31,			For the six months ended	
	2020	2021	2022	June 30,	2023
	(RMB/ton)				
Average coal consumption cost (excluding VAT) <sup>(1)</sup> . . . . .	461	784	927	879	906
Average price (including VAT) of mix-quality coal quoted by Qinhuangdao Shanxi quality index <sup>(2)</sup> . . . . .	571	857	1,220	1,178	1,024

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 June 30, 2023, we employed 354 sales and marketing personnel.

The head office of our sales and marketing team is located in our manufacturing bases in Zouping City, Shandong Province. We have also established sales and marketing teams covering Northeastern, Southern, Eastern, Southwest and Northern China, where our customers are located. The head office is in charge of the overall management of our sales and marketing activities, including market research and development, customer relations, implementation of our sales plan and supervision of our branch offices. As our production schedule is based on sales, the head office also closely works with our production department to ensure timely production and delivery of our aluminum products.

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

### *Sales and Marketing*

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

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

### *Sales Contract Terms*

We usually enter into framework sales agreements with our customers, which provide for terms of quality, pricing, settlement, payment and planned monthly or annual sales volume. Our customers generally provide us with purchase orders on a monthly basis. The actual monthly volume delivered is negotiated between our customers and us by taking into account the order volume and our capacity for

the corresponding month. There is usually no minimum purchase amount required in our framework sales agreements. A sales framework agreement usually has a term from one year to three years. We also enter into individual sales contracts with our customers.

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

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

## **OUR CUSTOMERS**

We primarily sell aluminum products to domestic customers, who are located mainly in Shandong Province as well as in other regions of China. Our five largest customers accounted for approximately 59.0%, 56.6%, 53.3%, 53.5% and 47.3% of our revenue of continuing operations for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Certain of our customers are domestic premium aluminum fabrication product manufacturers and well-known traders. Our largest customer accounted for approximately 39.1%, 38.3%, 38.0%, 37.7% and 35.2% of our revenue of continuing operations for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. Sales volume of our aluminum products was approximately 5.7 million tons, 5.7 million tons, 6.1 million tons, 3.0 million tons and 3.1 million tons for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

Our customers included (i) downstream manufacturers, who processed our aluminum alloy products into aluminum fabrication products, such as aluminum plates, aluminum wire and wheel hubs, and (ii) traders, who in turn resold our products to downstream aluminum fabrication product manufacturers or other traders. There is no difference in pricing strategy towards these two groups of customers. During the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, 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 manufacturing bases, there is a high geographic concentration of our customers. Our revenue of molten aluminum alloy accounted for approximately 68.9%, 69.4%, 65.2%, 65.3% and 61.4% of our revenue for three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively.

## **INVENTORY CONTROL**

We had inventories of approximately RMB19,717.8 million, RMB22,705.1 million, RMB37,267.6 million (US\$5,139.4 million), RMB30,483.3 million and RMB35,846.4 million (US\$4,943.4 million) as of December 31, 2020, 2021 and 2022 and as of June 30, 2022 and 2023, respectively. Our average turnover days of inventory, exclusive of those held for sale, were 114, 92, 96, 89 and 110 days for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. The increase in our average turnover days of inventory for six months ended June 30, 2023 was mainly due to an increase in the inventory quantity of some raw materials and an increase in the unit cost of stock of our Group.

Our production and inventory plans are prepared based on our sales. We enter into sales contracts with customers based on our actual production capacity, and our sales and marketing team prepares the production plans and delivers the production plans to our production department, which arranges our inventory accordingly. We usually keep in stock enough raw materials for 15 days' production requirement to ensure our continuous operations. We generally keep in stock enough coal for 15 days' power generation requirement, while from November to February, we usually keep enough coal for one month's requirement. We monitor and control our inventory levels of raw materials, work-in-progress and finished products to optimize our operations. We use an enterprise resource planning, or the ERP, system to ensure an efficient and effective management of our inventories. This ERP system keeps record of our inventories so that we have ready access to inventory levels and movement. We have management procedures that monitor the planning and allocation of warehouse space and inventory of raw materials and finished products to meet the delivery requirements and schedules. We also carry out daily inventory counts on our finished products to ensure that our records are up-to-date and there is no loss of inventory.

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

## **QUALITY CONTROL**

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

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

The standards for our aluminum products are mainly set out in the document GB/T 1196 – 2008 published by the PRC government, which prescribes the national standards in relation to various areas including: (1) quality of primary aluminum; (2) sample test required to be conducted to examine the purity of primary aluminum; and (3) labelling, packaging, transportation and storage. The quality of

primary aluminum is graded into seven levels based on the amount of impurities contained. Our aluminum products are graded A199.70, 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 June 30, 2023, we had 1,069 quality control personnel. For inspection purposes, we use equipment, such as spectrographs and atomic absorption spectrometers, to analyze the chemical elements of our products. Furthermore, we have prepared a set of manuals and documents on standard production procedures and our employees are required to follow them to ensure the product quality. In order to meet the high quality standards of our customers, our quality control procedures are carried out at various stages of the manufacturing processes, including incoming, in-process and outgoing stages. In addition, we carry out regular quality control training sessions for our employees to promote quality control technologies as well as quality control awareness. Shandong Hongqiao obtained the ISO9001 certification for our manufacturing facilities in April 2010.

## **RESEARCH AND DEVELOPMENT**

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

Besides, we encourage our staff to work on improvements of production facilities and techniques regarding safety, energy conservation, efficiency enhancement and environmental protection and to learn from and promote the technical transformation projects with promotional value. During the first half of 2023, we implemented over 600 minor reform projects and as of June 30, 2023, we applied for 674 patents.

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

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

Industry and Information Technology and the NDRC. As of June 30, 2023, we have two state-level green factories and two provincial-level green factories. The Indonesia alumina project also won the “ASEAN Coal Award 2021 for Industry Application of Clean Coal Technology in the Medium Industrial Category” from the ASEAN Centre for Energy.

## **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 June 30, 2023, 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 June 30, 2023, we owned the domain names [www.hongqiaochina.com](http://www.hongqiaochina.com), [www.hongqiao-china.com](http://www.hongqiao-china.com), [www.hongqiaogroup.cn](http://www.hongqiaogroup.cn) and [www.hongqiaoxc.com](http://www.hongqiaoxc.com). As of June 30, 2023, 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 December 31, 2023, according to Antaike, there were approximately 100 primary aluminum manufacturers in China, and the average designed annual aluminum production capacity of these manufacturers was approximately 450,000 tons of primary aluminum products, including pure aluminum products and aluminum alloy products. According to Antaike, as of December 31, 2023, only 36 primary aluminum manufacturers in China had a designed annual primary aluminum production capacity of 500,000 tons or more, which accounted for approximately 64% of the total primary aluminum production capacity in China.

Molten aluminum alloy is our most popular product in terms of sales volume and revenue. As molten aluminum alloy is a hazardous material for transportation and needs to be stored in a specially designed container to maintain a high temperature during delivery, purchasers of molten aluminum alloy are always located in close proximity to the manufacturing facilities of molten aluminum alloy. As the major aluminum supplier in Zouping City, we accounted for approximately 100.0% of the total annual production capacity of primary aluminum in Zouping City as of December 31, 2023, according to Antaike.

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

## **ENVIRONMENTAL PROTECTION**

We are subject to PRC national environmental laws and regulations and periodic inspection by local environmental protection authorities, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Environmental Impact Evaluation Law of the PRC (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), the Law of the PRC on the Prevention and Control of 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 stations. After the completion of construction, we need to pass inspections for our environmental protection facilities by the environmental protection authorities. We are required to apply for registration with relevant environmental protection authorities for discharge of pollutants and pollutant discharge permits, and pay for over-discharge.

### ***Aluminum Production***

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

- (1) where a construction entity unlawfully commences the construction of a project without submitting for approval its environmental impact report or report form in accordance with the law, or without reporting for approval anew or requesting the re-examination of the environmental impact report or report form in accordance with the provision of Article 24 of the Law of the 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 RMB50,000 on it.

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

- (1) the project owner commences the construction project without submitting the environmental impact report or the environmental impact statement for approval or reexamination in accordance with the law;
- (2) the project owner commences the construction project when the environmental impact report or the environmental impact statement has not been approved or reexamined; and
- (3) the environmental impact registration form of the construction project has not been granted recordation in accordance with the law.

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

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

#### ***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 June 30, 2023, our environmental protection department comprised of 35 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 June 30, 2023, we also had 2,432 production personnel who were responsible for the operations, monitoring and maintenance of our environmental protection facilities.

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

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

## **WORK SAFETY**

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

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

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

**INSURANCE**

We maintain insurance policies with insurance companies in China which cover losses to our equipment, facilities, buildings and their improvements, vehicles and inventories arising from fire, lightning, explosion and aircraft accidents. Insurance coverage for our fixed assets and inventories in China amounted to approximately RMB9.3 million (US\$1.3 million) as of June 30, 2023. Currently, we do not maintain business interruption insurance or insurance relating to the delivery of our products. Our sales contracts generally provide that, once the products leave our manufacturing site, the ownership of such products are immediately transferred to our customers. As a result, we are not responsible for the risk of losses occurring during transportation. In addition, for losses of and damages to our molten aluminum alloy products during delivery, our delivery service providers are responsible if such losses and damages are attributable to their fault. The logistics service providers for aluminum alloy ingots, aluminum alloy casting-rolling products and aluminum busbars are generally responsible for losses of and damages to our products incurred during delivery pursuant to the relevant service agreements. We do not maintain any product liability insurance. We have not made any material claims under our insurance policies and have not experienced any material business interruptions since we commenced our operations.

**EMPLOYEES**

As of June 30, 2023, we employed approximately 45,678 full-time employees. The table below sets forth the breakdown of our employees by functions as of June 30, 2023.

<b>Function</b>	<b>Number of employees</b>
Aluminum production . . . . .	22,215
Alumina production . . . . .	9,715
Power station . . . . .	9,632
Supply . . . . .	522
Sales, marketing and delivery . . . . .	354
Quality control . . . . .	1,069
General management . . . . .	2,171
<b>Total</b> . . . . .	<b>45,678</b>

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

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

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

## **LEGAL PROCEEDINGS**

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. As of the date of this offering memorandum, 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.

## REGULATION OVERVIEW

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

### Entry Conditions and Industry Policies

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

According to the Notice of Guiding Opinions on Intensifying Structural Adjustments of the Aluminum Industry (《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 January 8, 2009, pursuant to which Zouping County decided to establish and develop a large-scale aluminum cluster in Zouping Economic Development Zone. The Decision involves plans to develop the local aluminum industry cluster by taking advantage of the existing large number of aluminum industry enterprises in Zouping County and is in line with the energy-saving and emission reduction requirements of the State. In order to achieve the aforesaid goal, Zouping Economic

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

The People's Government of Zouping County has prepared the Development Plan of Aluminum Industry Cluster in Zouping County (《鄒平縣鋁產業集群發展規劃》), which was approved by the People's Government of Binzhou City on May 7, 2010 (the "Plan"). The overall objective of the Plan is to give effect to the existing aluminum industry advantage of Zouping County, and to develop the aluminum industry cluster into the most profitable cluster with the longest industrial chain in Zouping County and with the most advanced technology and the most effective energy saving and emission reduction. The Plan encourages companies to adopt business models with the most effective energy saving and emission 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 April 24, 2014 and the amended Environmental Protection Law will become effective on January 1, 2015.

In addition, in the production and operation process, aluminum-processing enterprises must comply with the following laws and regulations related to environmental protection: the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》); 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 March 16, 2007 and effective as of January 1, 2008, newly amended on December 29, 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 April 22, 2009 and has retroactive effect from January 1, 2008, amended on December 29, 2017, provides specific tests regarding under what situations an enterprise’s “de facto management body” would be considered to be located in the PRC. In 2009 the State Administration of Taxation issued guidance regarding the determination of the location of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. However, it is unclear whether this guidance also reflects the State Administration of Taxation’s criteria for determining the location of the “de facto management bodies” for foreign enterprises that are not controlled by PRC enterprises (such as our Company). Although it is unclear under PRC tax law whether we have a “de facto management body” located in China for PRC tax purposes, we currently take the position that we and our Hong Kong and BVI subsidiaries are not PRC resident enterprises for tax purposes. However, we cannot assure you that the tax authorities will agree with our position. We have been advised by our PRC legal advisors, Allbright Beijing Law office, that there is uncertainty as

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

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局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 “Description of the Notes – Additional Amounts.”

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 November 19, 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 May 1, 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 April 1, 2019, for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively.

### **Urban Maintenance and Construction Tax and Education Surcharge**

Pursuant to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), effective from December 1, 2010, the Urban Maintenance and Construction Tax Law of the People's Republic of China (《中華人民共和國城市維護建設稅法》), promulgated in 2021, the Provisional Rules on Levy of Education Surcharge (《徵收教育費附加的暫行規定》(2011年修訂)), promulgated in 2011, and other regulations and rules promulgated by the State Council and other competent authorities of the relevant financial and tax authorities shall apply to foreign-invested enterprises, foreign enterprises and foreign individual.

Pursuant to the Urban Maintenance and Construction Tax Law of the People's Republic of China (《中華人民共和國城市維護建設稅法》) released on September 1, 2021, all entities and individuals subject to VAT and consumption tax within the territory of the People's Republic of China shall be taxpayers of urban maintenance and construction tax and shall pay urban maintenance and construction tax in accordance with this law. If a taxpayer is located in the urban areas, the rate is 7%; if a taxpayer is located in counties and towns, the rate is 5%; and if the taxpayer is located in places other than urban areas, counties or towns, the rate is 1%. No urban maintenance and construction tax shall be levied on VAT or consumption tax paid for the import of goods or sale of labor services, other services and intangible assets in China by overseas entities or individuals.

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

Pursuant to the Provisional Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) promulgated on July 1, 1986, revised on January 8, 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 January 1, 1995, newly amended on December 29, 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 January 1, 2008, which was amended on December 28, 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 June 30, 2023, 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 November 1, 2002 and newly amended on June 10, 2021, production and operating enterprises should be equipped with the safety conditions for production as set out in the Production Safety Law and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that does not comply with such safety conditions will not be allowed to be engaged in any production or operating activities. Production and operating units should provide education and training programs to their employees regarding production safety. The design, manufacturing, installation, application, checking, maintenance, reforming and abandonment of safety facilities should follow the national standards or industrial standards. In addition, production and operating units should provide employees with protective equipment that meets national standards or industrial standards, and educate and supervise them in strictly complying with the production rules and regulations as well as operation procedures of the relevant units regarding safety.

We are required to commit a certain amount of expenditures to comply with the above production safety regulations. Should there be any industrial accidents due to noncompliance of the Production Safety Law and related regulations, we may be subject to penalties imposed by competent authorities and liable to any compensation arising therefrom. Our goodwill in the market may also be adversely affected. On the other hand, continuous compliance with the requirements of production safety will reduce the operating risks of our Group and will be conducive to the enhancement of our operating results. We have adopted all necessary measures to ensure the production safety in the workplace and we undertake to comply

with the relevant laws and regulations on production safety. Furthermore, the Safety Law has been amended on August 31, 2014, and the amended Safety Law became effective on December 1, 2014. The Safety Law was further amended on June 10, 2021 and implemented since September 1, 2021.

### **Foreign Exchange**

Pursuant to the Regulations on the Administration of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) amended on August 1, 2008 by the State Council and implemented since August 5, 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 June 30, 2023, our Company has not been imposed any administrative penalties due to violation of foreign exchange laws and regulations.

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

### **Law of Wholly Foreign-Invested Enterprises**

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) as implemented by the Standing Committee of the National People's Congress on March 15, 2019 and entered into force on January 1, 2020, and the Implementation Regulations for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) as promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. Foreign investors shall not invest in any field with investment prohibited by the negative list for foreign investment access. Foreign investors shall meet the investment conditions stipulated under the negative list for any field with investment restricted

by the negative list for foreign investment access. For the fields not included in the negative list for foreign investment access, management shall be conducted under the principle of consistency for domestic and foreign investment. As a wholly foreign-invested enterprise, Shandong Hongqiao is required to comply with the Foreign Investment Law of the PRC and the implementation rules in respect of the establishment and operation of its business.

### **Product Quality Law**

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

## DIRECTORS AND SENIOR MANAGEMENT DIRECTORS

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

Name	Age	Position
Mr. Zhang Bo . . . . .	54	Chairman, Executive Director and Chief Executive Officer
Ms. Zheng Shuliang . . . . .	77	Vice Chairman and Executive Director
Ms. Zhang Ruilian . . . . .	46	Vice President, Chief Financial Officer and Executive Director
Ms. Wong Yuting . . . . .	39	Executive Director and Head of Corporate Finance Department
Mr. Yang Congsen . . . . .	54	Non-executive Director
Mr. Zhang Jinglei . . . . .	47	Non-executive Director
Mr. Tu Yikai . . . . .	47	Non-executive Director
Mr. Zhang Hao . . . . .	49	An alternate Director to Mr. Tu Yikai
Ms. Sun Dongdong . . . . .	46	Non-executive Director
Mr. Wen Xianjun . . . . .	61	Independent Non-executive Director
Mr. Han Benwen . . . . .	73	Independent Non-executive Director
Mr. Dong Xinyi . . . . .	47	Independent Non-executive Director
Ms. Fu Yulin . . . . .	58	Independent Non-executive Director

### Executive Directors

**Mr. Zhang Bo (張波)**, aged 54, was appointed as an executive Director and the chief executive officer of the Company on January 16, 2011. He was elected as the chairman of the Board and a member of each of the remuneration committee and nomination committee of the Board on May 31, 2019. He has also been the chairman of the nomination committee of the Board since May 16, 2023. 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 17 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 and chairman of Weiqiao Textile Company Limited (魏橋紡織股份有限公司) (“**Weiqiao Textile**”, a company previously listed on the Stock Exchange, stock code before delisting: 2698.HK) (including its predecessor) from March 1999 to September 2006, a director of Weihai Weiqiao Textile Company Limited (威海魏橋紡織有限公司) from July 2001 to May 2010, the chairman and general manager of Binzhou Weiqiao Technology Industrial Park Company Limited (濱州魏橋科技工業園有限公司) (“**Binzhou Industrial Park**”) from November 2001 to May 2010, the general manager of Shandong Hongqiao from January 2010 to January 2021, the chairman of Binzhou Aluminum Industry Association from June 2014 to August 2020, a vice chairman of the International Aluminium Institute from November 2016 to August 2020 and an executive director and the general manager of Shandong Hongtuo Industrial Company Limited (山東宏拓實業有限公司) (“**Hongtuo Industrial**”) from June 2019 to December 2021. Currently, he is the chairman and the general manager of Aluminum and Power since November 2006, a director (since January 2010) and the general manager (since November 2021) and the chairman (since June 2019) of Shandong Hongqiao, a director of Hongqiao Trading since April 2012, a director of Hongqiao Hong Kong since January 2015, the chairman of Chuangye Group since September 2018, a director of Hongqiao Investment since May 2019, the chairman of Hongtuo Industrial since December 2021 and an executive director of Hongqiao International Trading Limited (宏橋國際貿易有限公司) since April 2020. He has been the honorary chairman of Binzhou Aluminum Industry Association since August 2020, a deputy president of China Nonferrous Metals Industry Association since March 2015, the chairman of Shandong Aluminium Industry Association since March 2019, the chairman of Binzhou Entrepreneurs Association since January 2020, the vice chairman of Binzhou Shipping Charity Foundation (since September 2020) and the chairman of Binzhou Charity Federation (since October 2020), honorary president of Zouping City Entrepreneurs Association (since May 2022). He was selected by the State Council of the PRC as “National Model Worker” in 2010. He is a representative of the Fourteenth National People's Congress of the PRC and a representative of the twelfth Shandong Provincial People's Congress. Ms. Zheng Shuliang is his mother, and Mr. Yang Congsen is his brother-in-law.

**Ms. Zheng Shuliang (鄭淑良)**, aged 77, was appointed as the vice chairman and an executive Director of the Company on January 16, 2011. She joined the Group in July 2009. She successively held the positions of the section chief, director of metering division of raw materials purchase department and deputy director of raw materials supply department of Chuangye Group (including its predecessor) from November 1996 to June 1999, director of metering department of Chuangye Group from June 1999 to June 2001. She is currently a director and the vice chairman of Shandong Hongqiao since January 2010 and a director of Aluminum & Power since November 2011 and chairman of Binzhou Shipping Charity Foundation (since September 2020). She is the mother of Mr. Zhang Bo and the mother-in-law of Mr. Yang Congsen.

**Ms. Zhang Ruilian (張瑞蓮)**, aged 46, was appointed as an executive Director of the Company on December 11, 2017. She graduated from Shandong Economic Management School of Light Industry (山東省輕工業經濟管理學校) 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 23 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 Aluminum & Power since June 2006, a director of Aluminum & Power since December 2014, the manager of financial department of Shandong Hongqiao since February 2010, a director of Shandong Hongqiao since December 2014, and a director of Hongqiao Trading since April 2012. She is currently the vice president (since January 2011), the chief financial officer of the Company (since September 2014) and a director of Chuangye Group.

**Ms. Wong Yuting (王雨婷)**, aged 39, was appointed as an executive Director of the Company on August 20, 2021. She graduated from the business school of The University of Nottingham (United Kingdom) in December 2008, majoring in risk management and microeconomics. She joined the Company in June 2011. Ms. Wong has been head of investor relations of the Company from June 2011 to January 2023 and head of corporate finance of the Company from March 2014 to present, and is responsible for the Company's foreign capital markets, institutional investor communications, financing and mergers and acquisitions.

#### **Non-Executive Directors**

**Mr. Yang Congsen (楊叢森)**, aged 54, was appointed as a non-executive Director of the Company on January 16, 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 23 years of management experience. He was responsible for the production and operations of the self-owned power plants of the Group and was also the deputy general manager of Aluminum & 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, the head of thermal power plant of Chuangye Group from December 1999 to October 2003, the deputy general manager of Chuangye Group from January 2005 to June 2006 and the general manager of Shandong Hongqiao from January 2021 to December 2021. He is currently a director of Chuangye Group, a director (since January 2010) of Shandong Hongqiao, a director of Aluminum & Power since December 2006, the managing director of Hongtuo Industrial (since December 2021) and a director and chairman of Shandong Hongchuang Aluminum Industry Holding Company Limited (山東宏創鋁業控股股份有限公司) (a company listed on the Shenzhen Stock Exchange, Stock Code: 002379.SZ) since January 2024. He is the son-in-law of Ms. Zheng Shuliang and the brother-in-law of Mr. Zhang Bo.

**Mr. Zhang Jinglei (張敬雷)**, aged 47, was appointed as a non-executive Director on January 16, 2011. He graduated from Chang'an University (長安大學, formerly known as Xi'an Engineering College (西安工程學院)) and obtained the junior college diploma in proximate analysis in July 1997. He has been an EMBA Student at PBC School of Finance, Tsing University. He joined the Group in January 2011.

He joined Weiqiao Textile (including its predecessor) in October 1997, and worked in the sales department of Weiqiao Textile (including its predecessor) from September 1998 to September 2000, and has successively worked at the securities office, production technology section and the capital markets department of Weiqiao Textile since October 2000. He is currently an executive director (since June 2010) and the company secretary (since May 2010) of Weiqiao Textile, a director of Chuangye Group (since September 2018) and a director of Shandong Hongqiao (since January 2021).

**Mr. Tu Yikai (涂一錯)**, aged 47, was appointed as a non-executive Director of the Company on December 28, 2023. He graduated from Chongqing University (重慶大學) in July 1999 and obtained a bachelor's degree, majoring in management. He also graduated from University of Science and Technology Beijing (北京科技大學) in March 2002 and obtained a master's degree, majoring in management. From April 2002 to July 2002, Mr. Tu served as the account manager in the corporate business department of the banking department at the head office (總行營業部) of China CITIC Bank Corporation Limited (中信銀行股份有限公司, stock code: 998.HK and 601998.SH, formerly known as China CITIC Industrial Bank, "CITIC Bank"). From July 2002 to November 2002, he served as the account manager of the Fuhua Building Sub-Branch (富華大廈支行) of the banking department at the head office of CITIC Bank. From November 2002 to October 2006, he successively served as the account manager and senior account manager in the investment banking department of the banking department at the head office of CITIC Bank. From October 2006 to April 2008, he successively served as the deputy manager and manager of the strategic clients department of the corporate banking department of the banking department at the head office of CITIC Bank. From April 2008 to December 2008, he served as the assistant general manager of the corporate banking department of the banking department at the head office of CITIC Bank. From December 2008 to April 2010, he successively served as the senior manager and deputy general manager of the second division of trust business of CITIC Trust Co., Ltd. (中信信託有限責任公司, "CITIC Trust"). From April 2010 to November 2015, he successively served as the deputy general manager and general manager of the third division of trust business of CITIC Trust. From July 2013 to March 2015, he served as the business director of CITIC Trust. Since March 2015, he has been the deputy general manager of CITIC Trust. Mr. Tu has also served various concurrent positions including the chairman of the board of CITIC-prudential Fund Management Company Ltd. (中信保誠基金管理有限公司)(since October 2021) and CITIC-CP Asset Management Company Ltd. (中信信誠資產管理有限公司)(since January 2022). He has also been the director of CTI Capital Management Limited (中信信惠國際資本有限公司)(since April 2022), CITIC Consumer Finance Co., Ltd. (中信消費金融有限公司)(since January 2022), China Trust Registration Co., Ltd. (中國信託登記有限責任公司)(since March 2022) and China Trust Protection Fund Co., Ltd. (中國信託業保障基金有限責任公司)(since April 2022), and has been the vice chairman of China Trustee Association (中國信託業協會)(since December 2021) and the board member of CITIC Foundation (中信基金會理事會)(since June 2021). He obtained the fund qualification from Asset Management Association of China (中國證券投資基金業協會) in 2002 and also obtained the qualification of Certified Public Accountant in China in 2005.

**Mr. Zhang Hao (張浩)**, aged 49, was appointed as an alternate Director to Mr. Tu Yikai on December 28, 2023. He graduated from University of International Business and Economics (對外經濟貿易大學, formerly known as China Institute of Finance (中國金融學院)) with a bachelor of economics degree majoring in international finance in July 1996. Mr. Zhang served as a foreign exchange trader and the deputy manager of the treasury department of CITIC Bank successively from August 1996 to June 2003. He served as a director of the financial market department of Calyon Hong Kong Limited from July 2003 to June 2005, and an executive director of the financial market department of Bear Stearns Asia Limited from July 2005 to June 2008. He also served as the managing director of the financial market department of Standard Chartered Bank (HK) Ltd, from July 2008 to July 2014. From December 11, 2017 to February 2, 2018 and from August 31, 2018 to January 27, 2021, he served as an alternate Director to Mr. Chen Yisong (陳一松先生), a former non-executive Director. From January 27, 2021 to December 29, 2022, he served as an alternate Director to Mr. Li Zimin (李子民先生), a former non-executive Director. From December 29, 2022 to December 28, 2023, he served as an alternate Director to Mr. Liu Xiaojun (劉小軍先生), a former non-executive Director. Since August 2014, Mr. Zhang has

served as the chief executive officer and the executive director of CTI Capital Management Limited (中信信惠國際資本有限公司) and also served in CTI Capital Hong Kong Limited (中信信惠國際資本(香港)有限公司), being a wholly-owned subsidiary of CTI Capital Management Limited (中信信惠國際資本有限公司) and holding licenses issued by the Securities and Futures Commission of Hong Kong to carry out regulated activities) as the chief executive officer, 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.

**Ms. Sun Dongdong (孫冬冬)**, aged 46, was appointed as a non-executive Director of the Company on March 5, 2021. She graduated from Shandong Institute of Architectural Engineering (山東建築工程學院) majoring in heating, ventilation and air conditioning engineering in July 1998 and she is a certified senior economist and budget specialist. Ms. Sun successively held various positions in Aluminum & Power, as the chief of the supply section from November 2000 to June 2006, the chief of electrical and mechanical services section of the material supply department from June 2006 to May 2010, the chief of budget audit section from May 2010 to June 2011, the chief of audit supervisory department from June 2011 to March 2018, and the chief of audit department from March 2018 to October 2020. She has been serving as a supervisor of Shandong Hongqiao since June 2019, a supervisor of Aluminum & Power since June 2019, a supervisor of Yunnan Hongqiao New Material Co., Ltd. (雲南宏橋新型材料有限公司) since October 2019, a supervisor of Yunnan Hongtai New Material Co., Ltd. (雲南宏泰新型材料有限公司) since October 2019, a supervisor of Shanghai Helu Equity Investment Management Co., Ltd. (上海和魯股權投資管理有限公司) since November 2019, as well as the chief of audit department of Shandong Hongqiao since October 2020.

#### **Independent Non-Executive Directors**

**Mr. Wen Xianjun (文獻軍)**, aged 61, was appointed as an independent non-executive Director of the Company on March 5, 2021. He has been a member of the audit committee and remuneration committee of the Company since May 16, 2023. He graduated from Central South University (中南大學, formerly known as Central South Institute of Mining and Metallurgy (中南礦冶學院)) with a bachelor of engineering degree majoring in metallic materials in July 1984, and graduated from Beijing Non-Ferrous Research Institute (北京有色金屬研究總院) with a master of engineering degree majoring in metallic materials in June 1990. He successively served as an associate engineer of Beijing Non-Ferrous Research Institute from August 1984 to August 1987, an engineer of the technology department of China National Non-ferrous Metals Industry Corporation (中國有色金屬工業總公司) from July 1990 to June 1992, a deputy director and a senior engineer of Development and Exchange Centre of China Nonferrous Metals Industry Technology (中國有色金屬技術開發交流中心) from September 1992 to January 1996, a deputy director of the investment and operations department and a senior engineer of China National Non-ferrous Metals Industry Corporation (中國有色金屬工業總公司) from February 1996 to April 1998, the deputy head, a director-level consultant and a senior engineer of Industry Administration Department of the State Nonferrous Metals Industry Administration of China (國家有色金屬工業局行業管理司) from May 1998 to December 2000, as well as the director of CPC Central Enterprise Working Committee (中央企業工委) from January 2001 to March 2001. He successively served as the deputy head of industry coordination department, the head of the aluminum department, the vice chairman and a professor level senior engineer of China Nonferrous Metals Industry Association (中國有色金屬工業協會) from April 2001 to April 2021 and also served as the chairman of China Nonferrous Metals Processing Industry Association (中國有色金屬加工工業協會) from October 2010 to October 2017. Mr. Wen has also served as an independent director in various listed companies. He served as an independent director of Henan Zhongfu Industrial Co., Ltd. (河南中孚實業股份有限公司) (“**Zhongfu Industrial**”) (a company listed on the Shanghai Stock Exchange (stock code: 600595.SH)) from October 2009 to November 2014, an independent director of Ningxia Orient Tantalum Industry Co., Ltd. (寧夏東方鋇業股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000962.SZ) from March 2011 to October 2014, an independent director of Zhejiang Dongliang New Material Co., Ltd. (浙江棟樑新材股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002082.SZ) from May 2011 to September 2013, an independent director of Jiaozuo Wanfang Aluminum Manufacturing Co., Ltd. (焦作萬方鋁業股份有限公司) (a

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

**Mr. Han Benwen (韓本文)**, aged 73, was appointed as an independent non-executive Director of the Company on January 16, 2011. He graduated from Shandong University (山東大學) and obtained a certificate in foreign economy in May 1994. He is a certified public accountant recognised by the Shandong Institute of Certified Public Accountants (山東省註冊會計師協會) and is a qualified middle level auditor. He worked in Zouping County Audit Bureau (鄒平縣審計局) as a clerical officer from August 1985 to December 1999 and in Shandong Jianxin Certified Public Accountants Corporation (山東鑾鑫會計師事務所有限公司)(formerly known as Zouping Jianxin Certified Public Accountants Corporation (鄒平鑾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 47, was appointed as an independent non-executive Director of the Company on December 11, 2017. He graduated from Northwest Institute of Politics and Law (西北政法學院)(currently known as Northwest University of Politics and Law (西北政法大學)) in Xi'an, Shaanxi Province, the PRC with a bachelor of law degree majoring in international economic law in July 2000; from Korea University in Seoul, Korea with a master of law degree in August 2006 and the degree of doctor of philosophy in law in August 2009, respectively. 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 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)(a company listed on the Shenzhen Stock Exchange, stock code: 300968.SZ) since September 2016.



**Ms. Fu Yulin (傅郁林)**, aged 58, was appointed as an Independent non-executive Director of the Company on May 16, 2023. She graduated from Wuhan University (武漢大學) in June 1987 with a bachelor of laws degree, majoring in international laws. She also obtained a master of laws degree from Peking University (北京大學) in July 1998, majoring in civil laws and the degree of doctor of laws from the Renmin University of China (中國人民大學) in July 2001, majoring in litigation laws (civil litigation laws direction). Ms. Fu has been the professor of Peking University since August 2013. From July 1987 to July 1998, she successively served as the clerk, assistant judge and judge of the Wuhan Maritime Court (武漢海事法院). From July 2001 to June 2003, she conducted academic research in the judicial system and civil litigation laws in the post-doctoral mobile work station (博士後流動工作站) of Peking University. Since June 2003, she has been teaching and conducting research in the field of civil litigation laws, laws of evidence, arbitration laws and the judicial system in the Peking University Law School.

### **Senior Management**

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

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

### **Company Secretary**

**Ms. Zhang Yuexia (張月霞)**, aged 48, was appointed as the secretary of the Company on January 16, 2011. She graduated from Binzhou Normal Specialised Postsecondary College (濱州師範專科學校), majoring in foreign trade English, and obtained a junior college degree in July 1998. She received her bachelor’s degree in accounting from China University of Petroleum (Huadong)(中國石油大學(華東)) in July 2020. She has over 22 years of accounting experience. She held the positions of the manager and section chief of accounting department of Chuangye Group from December 2001 to July 2009 and the deputy head of the securities department of Weiqiao Textile from March 2008 to January 2010. She has been serving as the director of Hongqiao Trading since April 2012. She had not served any position in the Group prior to January 16, 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. Wen Xianjun and Mr. Dong Xinyi. The chairman of the audit committee is Mr. Han Benwen. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

#### *Nomination Committee*

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

### ***Remuneration Committee***

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

### **Compensation of the Directors and Management**

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

The aggregate amount of remuneration (including salaries, allowances and other benefits and contributions to pension schemes) which were paid to our Directors for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 was approximately RMB3,972,000, RMB7,579,000, RMB7,738,000, RMB3,158,000 and RMB5,079,000, 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 three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 were approximately RMB4,663,000, RMB8,133,000, RMB9,420,000, RMB2,253,930 and RMB4,988,603, respectively.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past Directors for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. During the year ended December 31, 2022, except for one non-executive director waived emoluments of RMB300,000, none of our Directors waived any emoluments during the same year.

## PRINCIPAL SHAREHOLDERS

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

<u>Name of director</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares</u>	<u>Approximately Percentage of shareholding</u>
Zhang Bo . . . . .	Beneficial owner	8,870,000	0.09%
	Interest in persons acting in concert	6,076,513,573	64.13%
<u>Name of beneficial shareholder</u>	<u>Capacity/nature of interest</u>	<u>Number of Shares</u>	<u>Approximately Percentage of shareholding</u>
Shiping Prosperity Private Trust Company <sup>(1)</sup> . . . . .	Trustee	6,076,513,573	64.13%
Hongqiao Holdings <sup>(1)</sup> . . . . .	Beneficial owner	6,076,513,573	64.13%
Zhang Hongxia <sup>(2)</sup> . . . . .	Interest in persons acting in concert	6,085,383,573	64.22%
Zhang Yanhong <sup>(2)</sup> . . . . .	Interest in persons acting in concert	6,085,383,573	64.22%
CTI Capital Management Limited <sup>(3)</sup> . . . . .	Beneficial owner	803,190,170	8.48%

Notes:

- (1) Shiping Prosperity Private Trust Company held these Shares as trustee.
- (2) Shiping Prosperity Private Trust Company held 100% equity interest in Hongqiao Holdings as trustee. Shiping Global Holding Company Limited (“**Shiping Global**”) is the settlor, protector and one of the beneficiaries of Shiping Prosperity Trust. Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong held 40%, 30% and 30% equity interests in Shiping Global respectively, and to maintain an acting-in-concert arrangement in respect of the exercise of the shareholders’ rights of Shiping Global. Accordingly, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company held by Hongqiao Holdings. In addition, Mr. Zhang Bo, as the beneficial owner, holds 8,870,000 shares in the Company. By virtue of the acting-in-concert arrangement, Ms. Zhang Hongxia and Ms. Zhang Yanhong are deemed to be interested in the shares of the Company beneficially held by Mr. Zhang Bo.
- (3) According to the disclosure of interests as set out on the website of the Stock Exchange, CTI Capital Management Limited was interested in 803,190,170 shares of the Company in long position.

## RELATED PARTY TRANSACTIONS

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

The table below sets forth the name and relationship of our related parties with which we had significant related party transactions during the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

Name	Relationship
Chuangye Group . . . . .	(1)
Binzhou Weiqiao Technology Industrial Park Co., Ltd. (“ <b>Binzhou Industrial Park</b> ”) 濱州魏橋科技工業園有限公司 . . . . .	Controlled by Chuangye Group
Shandong Ming Hong Textile Technology Co., Ltd. (“ <b>Ming Hong Textile</b> ”) 山東銘宏紡織科技有限公司 . . . . .	Controlled by Chuangye Group
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. (“ <b>Beihai Solid Waste</b> ”) 濱州市北海魏橋固廢處置有限公司 . . . . .	Controlled by Chuangye Group
Shandong Ruixin Tendering Co., Ltd. (“ <b>Shandong Ruixin</b> ”) 山東瑞信招標有限公司 . . . . .	Controlled by Chuangye Group
Binzhou City Public Construction Investment and Development Co., Ltd. (“ <b>Binzhou Investment</b> ”) 濱州市公建投資開發有限公司 . . . . .	Controlled by Chuangye Group
Binzhou City Beihai Weiqiao Railway Engineering Co., Ltd. (“ <b>Beihai Weiqiao Railway</b> ”) 濱州北海魏橋鐵路工程有限公司 . . . . .	Controlled by Chuangye Group
Zhanhua Weiqiao Port Logistics Co., Ltd. (“ <b>Zhanhua Weiqiao Port Logistics</b> ”) 沾化魏橋港口物流有限公司 . . . . .	Controlled by Chuangye Group
Wudi Weiqiao Port Logistics Co., Ltd. (“ <b>Wudi Weiqiao Port Logistics</b> ”) 無棣魏橋港口物流有限公司 . . . . .	Controlled by Chuangye Group
Zhanhua Jinsha Water Supply Co., Ltd. (“ <b>Jinsha Water Supply</b> ”) 沾化金沙供水有限公司 . . . . .	An associate of Chuangye Group
CITIC Trust Co., Ltd. (“ <b>CITIC Trust</b> ”) . . . . .	Controlled by CITIC Group Corporation (3)
China CITIC Bank International Limited (“ <b>CITIC Bank International</b> ”) . . . . .	Controlled by CITIC Group Corporation (3)
China CITIC Bank Corporation Limited (“ <b>CITIC Bank Corporation</b> ”) . . . . .	Controlled by CITIC Group Corporation (3)
PT. Harita Jayaraya (“ <b>Harita Jayaraya</b> ”) . . . . .	(4)
PT. Cita Mineral Investindo, Tbk. (“ <b>PT. Cita</b> ”) . . . . .	(4)
PT. Antar Sarana Rekasa . . . . .	Controlled by Harita Jayaraya
Shandong Innovation Carbon Materials Co., Ltd. (“ <b>Innovation Carbon Materials</b> ”) 山東創新炭材料有限公司 . . . . .	An associate of a wholly-owned subsidiary of the Company
Zouping Binneng Energy Technology Co., Ltd. (“ <b>Binneng Energy</b> ”) 鄒平濱能能源科技有限公司 . . . . .	An associate of a wholly-owned subsidiary of the Company
Africa Bauxite Mining Company Ltd. (“ <b>ABM</b> ”) . . . . .	An associate of a wholly-owned subsidiary of the Company
GTS Global Trading Pte. Ltd (“ <b>GTS</b> ”) . . . . .	An associate of a wholly-owned subsidiary of the Company
Shandong Weiqiao Haiyi Environmental Protection Technology Co., Ltd. (“ <b>Weiqiao Haiyi</b> ”) 山東魏橋海逸環保科技有限公司 . . . . .	An associate of a wholly-owned subsidiary of the Company
Winning Consortium Simandou Railway Pte. Ltd. (“ <b>WCSR</b> ”) . . . . .	An associate of a subsidiary of the Company

Notes:

- (1) Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong, who are acting in concert and the controlling shareholders of the relevant holding company of the Company, have a significant non-controlling beneficial interest in Chuangye Group. Chuangye Group is principally engaged in the production and sale of textiles. As of June 30, 2023, Mr. Zhang Bo, Ms. Zhang Hongxia and Ms. Zhang Yanhong, together with their family members, in aggregate held (directly and indirectly) approximately 64.22% of the equity interest of Chuangye Group.
- (2) On December 13, 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 has no longer been a related party to the Group.

- (3) In 2020, CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, which held 877,184,826 shares of the Company, representing 9.88% of the then total issued shares of the Company, were both indirect subsidiaries of CITIC Group Corporation. On December 2, 2020, the Group issued 307,500,000 ordinary shares of US\$0.01, therefore the shareholding of CITIC Group Corporation was below 10% and CITIC Group Corporation has no longer been the related party of the Group since the year ended December 31, 2020.
- (4) Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Company.

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

	For the year ended December 31,			For the six months ended June 30,	
	2020	2021	2022	2022	2023
	(RMB in thousands)				
Purchases of water					
– Jinsha Water Supply . . . . .	(24,037)	(21,633)	(24,315)	(12,545)	(12,229)
– Chuangye Group . . . . .	(36,399)	(40,595)	(30,886)	(17,726)	(23,285)
Industrial waste expenses					
– Beihai Solid Waste . . . . .	(183,227)	(162,185)	(160,569)	(62,519)	(43,591)
Purchases of bauxite					
– GTS . . . . .	(8,149,746)	(7,092,966)	(13,426,851)	(6,818,202)	(6,601,490)
– PT. Cita . . . . .	(246,420)	(229,692)	(799,009)	(90,197)	–
Purchases of electricity					
– Binneng Energy . . . . .	(9,580,417)	(12,204,938)	(14,938,883)	(7,412,394)	(7,636,460)
– Weihai Weiqiao Energy . . . . .	–	–	–	–	(28,445)
– Shandong Binhong . . . . .	–	–	–	–	(4,292)
Purchases of anode carbon block					
– Innovation Carbon Materials . . . . .	(650,379)	(1,426,136)	(2,394,356)	(1,135,065)	(914,363)
Sales of steam					
– Binzhou Industrial Park . . . . .	10,354	12,020	10,453	5,458	7,206
– Ming Hong Textile . . . . .	3,611	3,119	3,677	1,780	2,328
– Binzhou Investment . . . . .	25,838	24,311	22,278	14,117	17,068
– Zhanhua Weiqiao Port Logistics . . . . .	–	334	533	467	867
Legal and professional fee					
– Shandong Ruixin . . . . .	(7,615)	(2,735)	(10,757)	–	–
Lease payment					
– Chuangye Group . . . . .	(6,353)	(12,590)	(2,850)	(1,425)	(38,982)
– PT. Lima Srikandi Jaya . . . . .	–	–	–	–	–
– Harita Jayaraya . . . . .	(1,387)	(1,308)	(1,070)	(654)	(589)
– PT. Mitra Kemakmuran Line . . . . .	–	–	–	–	–
– PT. Antar Sarana Rekasa . . . . .	(8,597)	(8,161)	(8,427)	(4,077)	(4,176)
Bank interest income					
– CITIC Bank Corporation . . . . .	410	–	–	–	–
Interest income from an associate					
– Binneng Energy . . . . .	133,569	114,780	114,780	56,918	60,333
– WCSR . . . . .	–	–	41,834	1,607	53,623
Interest expenses on bank borrowings					
– CITIC Bank International . . . . .	(28,901)	–	–	–	–
– CITIC Bank Corporation . . . . .	(301,473)	–	–	–	–
Purchases of collective investment trust					
– CITIC Trust . . . . .	(2,499,000)	–	–	–	(2,494,000)
Investment income					
– CITIC Trust . . . . .	89,663	–	–	–	70,805
Purchase of right-of-use assets					
– Chuangye Group . . . . .	–	(151,261)	(83,604)	(83,604)	(525,127)
Sales of water					
– Zhanhua Weiqiao Port Logistics . . . . .	–	–	101	63	55
Sales of scraps material					
– Beihai Solid Waste . . . . .	–	758	–	–	–
– Beihai Weiqiao Railway . . . . .	–	3	–	–	–
– Zhanhua Weiqiao Port Logistics . . . . .	–	76	–	–	–
– Wudi Weiqiao Port Logistics . . . . .	–	98	–	–	–
– Weiqiao Haiyi . . . . .	–	299	–	–	–

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

	<b>For the year ended December 31,</b>			<b>For the six months ended</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>June 30,</b>	<b>2023</b>
	<b>(RMB in thousands)</b>				
Chuangye Group . . . . .	1,299,000	960,000	3,289,242	940,000	3,437,140

Except as disclosed above and as disclosed elsewhere in our financial statements for the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 (and the notes thereto) included elsewhere (or incorporated by reference) in this offering memorandum, there was no related party transaction between us, our consolidated subsidiaries and our directors, executive officers and principal shareholders nor, in each case, the companies with whom they are affiliated, for the years indicated above.

## DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

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 June 30, 2023, our total borrowings amounted to approximately RMB36,353.1 million (US\$5,013.3 million), of which approximately RMB9,471.3 million (US\$1,306.2 million) were secured borrowings. As of June 30, 2023, our total bank borrowings amounted to approximately RMB36.4 billion (US\$5.0 billion), of which approximately RMB36.4 billion (US\$5.0 billion) was undrawn, and approximately 11.1% of which was USD bank borrowings and approximately 88.9% of which was RMB bank borrowings. Our short-term debt within one year and one to five year medium-term debt accounted for approximately 40.1% and 16.4% of our total debt as of June 30, 2023, respectively. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

### Offshore Financing

#### *The January 2021 CB*

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

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

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

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

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

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

#### *The June 2021 Notes*

On June 8, 2021, we issued the June 2021 Notes with the aggregate principal amount of US\$500,000,000, the materials terms of which are set out below:

- the June 2021 Notes will mature on June 8, 2024;
- the June 2021 Notes bear interest at a rate of 6.25% per annum;
- at any time prior to June 8, 2024, we may at our option redeem the June 2021 Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the June 2021 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 June 8, 2024, we may at our option redeem up to 35% of the aggregate principal amount of the June 2021 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 106.25% of the principal amount of the June 2021 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

As of the date of this offering memorandum, we had a total of US\$500 million principal amount of the June 2021 Notes outstanding.

### ***Term Loan Facility Agreements***

#### ***The Indonesia Facility***

On November 25, 2019, our Indonesia subsidiary, PT. Well Harvest Winning Alumina Refinery, entered into an amendment and restatement agreement relating to a senior facilities agreement dated December 12, 2016 (the “**Indonesia Phase I Facility**”) with, among others, PT 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 August 2023 Facility***

On August 11, 2023, we entered into a facility agreement with, among others, China CITIC Bank International Limited (“**CBI**”) as lender (the “**CBI August 2023 Facility**”), pursuant to which CBI agreed to make available to us term loan of US\$40 million (or its HK\$ equivalent) for, among others, the refinancing of our existing indebtedness.

The CBI August 2023 Facility will mature on the date which falls 264 days after August 11, 2023, with the principal amount payable on the same day. The interest rate for the term loan is the Term SOFR plus 3.20% per annum (in respect of loan in US\$) or the HIBOR plus 3.20% per annum (in respect of loan in HK\$).

The CBI August 2023 Facility agreement contains certain financial covenants such as consolidated tangible net worth requirement and certain customary events of default, including for non-payment of amounts under the facility, breaches of the terms of the facility agreement, insolvency and non-payment of financial indebtedness of any member of the Group.



### ***The CBI November 2023 Facility***

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

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

The CBI November 2023 Facility agreement contains certain financial covenants such as consolidated tangible net worth requirement and certain customary events of default, including for non-payment of amounts under the facility, breaches of the terms of the facility agreement, insolvency and non-payment of financial indebtedness of any member of the Group.

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

### **Onshore Loans**

#### *Bilateral Loan Arrangements*

Our PRC subsidiaries have entered into bilateral loan agreements with a number of PRC banks, including, without limitation, Agricultural Bank of China, Bank of China, China Construction Bank, China CITIC Bank, China Everbright Bank, 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 4.1% to 7.7% per annum as of June 30, 2023. 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 4.1% to 6.2% per annum as of June 30, 2023.

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 comply with these covenants and other applicable rules and laws may constitute an event of default.

## DESCRIPTION OF THE NOTES

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

The Notes are to be issued under an indenture (the “**Indenture**”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors and China CITIC Bank International Limited as trustee (the “**Trustee**”) which expression shall include any successor trustee and all persons for the time being the trustee or trustees appointed under the Indenture.

The following is a summary of certain provisions of the Indenture, the Notes and the Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available on or after the Original Issue Date for inspection following prior written request and satisfactory proof of holding during normal office hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays), at the principal office of the Trustee at 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

### Brief Description of the Notes

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- *pari passu* in right of payment with the January 2021 CB and the June 2021 Notes and all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under the caption “– *The Subsidiary Guarantees*” and in “*Risk Factors – Risks Relating to the Guarantees*”;
- effectively subordinated to the secured obligations of the Company and the Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Notes will mature on March 27, 2025, unless earlier redeemed or repurchased by the Company pursuant to the terms thereof and the Indenture.

The Indenture allows additional Notes to be issued from time to time (the “**Additional Notes**”), subject to certain limitations described under “– *Further Issues*.” Unless the context requires otherwise, references to the “*Notes*” for all purposes of the Indenture and this “**Description of the Notes**” include any Additional Notes that are actually issued.

The Notes will bear interest at 7.75% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable in arrears on September 28, 2024 and March 27, 2025 (each an “**Interest Payment Date**”).

Interest on Notes held in individual certificated form will be paid to Holders of record at the close of business on September 13, 2024 and March 12, 2025 immediately preceding an Interest Payment Date and interest on Notes held in global form will be paid to Holders of record at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except December 25 and January 1, (each, a “**Record Date**”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal or premium (if any) or interest on the Notes is not a Business Day in the relevant place of payment, then payment of such principal, premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date. Interest on the Notes will be calculated on the basis of a 360 day year comprised of twelve 30-day months.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by wire transfer by the Company at the office or agency of the Company maintained for that purpose which initially will be the specified office of the Paying Agent currently located at 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; **provided that**, if the Notes are in definitive form and the Company is acting as its own paying agent, at the option of the Company, payment of interest may be made by check mailed at the Company’s expense to the address of the Holders as such address appears in the Note register maintained by the Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

### **The Subsidiary Guarantees**

On the Original Issue Date, all of the Company’s Subsidiaries will be Restricted Subsidiaries and the initial Subsidiary Guarantors will consist of all of the Restricted Subsidiaries other than:

- the Restricted Subsidiaries organized under the laws of the PRC (the “**PRC Non-Guarantor Subsidiaries**”, and each a “**PRC Non-Guarantor Subsidiary**”); and
- PT. Well Harvest Winning Alumina Refinery and its Subsidiaries and Winning Consortium Alumina Guinea SA (together, the “**Initial Offshore Non-Guarantor Subsidiaries**”).

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

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee at any time in the future. In addition, the Company may elect to have any future Restricted Subsidiary organized outside the PRC (an “**Offshore Subsidiary**”) not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary by designating it as an offshore non-guarantor subsidiary in accordance with the procedures and subject to the limitations set forth below

under the heading “– *Offshore Non-Guarantor Subsidiaries*” (each Offshore Subsidiary so designated, a “**New Offshore Non-Guarantor Subsidiary**” and, together with the Initial Offshore Non-Guarantor Subsidiaries, the “**Offshore Non-Guarantor Subsidiaries**”). All of the Restricted Subsidiaries that are not Subsidiary Guarantors, including the PRC Non-Guarantor Subsidiaries, the Exempted Subsidiaries and the Offshore Non-Guarantor Subsidiaries, are collectively referred to herein as the “**Non-Guarantor Subsidiaries.**”

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

As of June 30, 2023,

- the Company and its consolidated subsidiaries (including the Non-Guarantor Subsidiaries) had total indebtedness of approximately RMB64,271.5 million (US\$8,863.4 million), of which RMB9,471.3 million (US\$1,306.2 million) was secured; and
- the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB54,800.2 million (US\$7,557.3 million).

In addition, as of June 30, 2023, the Non-Guarantor Subsidiaries had capital commitments of approximately RMB4,645.8 million (US\$640.7 million) and no contingent liabilities.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- ranks *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; and
- is effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Company will cause (x) each of its future Restricted Subsidiaries (other than Restricted Subsidiaries organized under the laws of the PRC, the Initial Offshore Non-Guarantor Subsidiaries and Exempted Subsidiaries), promptly upon becoming a Restricted Subsidiary, and (y) each of its Exempted Subsidiaries, promptly after it ceases to be an Exempted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes. Each Restricted Subsidiary of the Company that guarantees the Notes after the Original Issue Date is referred to as a “**Future Subsidiary Guarantor**” and, upon execution of the applicable supplemental indenture to the Indenture, will be a “**Subsidiary Guarantor.**”

### **Offshore Non-Guarantor Subsidiaries**

Notwithstanding the foregoing sentence, the Company may elect to have an Offshore Subsidiary (other than Hongqiao Investment, Hongqiao Hong Kong and Hongqiao Trading) not provide a Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary by the Board of Directors designating it as an Offshore Non-Guarantor Subsidiary. The Board of Directors may designate any Offshore Subsidiary as an Offshore Non-Guarantor Subsidiary if:

- (a) after giving effect to the designation of such Restricted Subsidiary as an Offshore Non-Guarantor Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries) that are not Subsidiary Guarantors do not account for more than 20.0% of the Total Assets of the Company (computed after excluding the Consolidated Assets of all Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries);
- (b) no Default shall have occurred and be continuing, as of the date such designation; and
- (c) the Company could, as of the date of such designation, Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (a) of the covenant described below under the caption “–*Limitation on Indebtedness and Preferred Stock.*”

Any designation of an Offshore Subsidiary as an Offshore Non-Guarantor Subsidiary will be evidenced to the Trustee by delivering to the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officers’ Certificate certifying that such designation complied with the preceding conditions.

If, at any time, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries) exceed 20.0% of the Total Assets of the Company (computed after excluding the Consolidated Assets of all Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries), the Company must promptly (i) remove the designation of one or more Offshore Non-Guarantor Subsidiaries and cause such Offshore Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Subsidiaries will Guarantee the payment of the Notes or (ii) designate one or more Offshore Non-Guarantor Subsidiaries as Unrestricted Subsidiaries or (iii) cause one or more Offshore Non-Guarantor Subsidiaries to pay dividends or make distributions on or with respect to their respective Capital Stock *pro rata* to their respective shareholders or on a basis more favorable to the Company, in the case of each of (i), (ii) and (iii) above, in accordance with the terms of the Indenture and such that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries) no longer exceed 20.0% of the Total Assets of the Company (computed after excluding the Consolidated Assets of all Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries). Such removal of designation as an Offshore Non-Guarantor Subsidiary, designation as an Unrestricted Subsidiary or payment of dividends or distributions must be made promptly and in any event no later than 30 days after the date any consolidated financial statements of the Company (which the Company must use its reasonable best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements) which show that the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors (other than Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries) exceed 20.0% of the Total Assets of the Company (computed after excluding the Consolidated Assets of all Exempted Subsidiaries and the Initial Offshore Non-Guarantor Subsidiaries).

The Board of Directors may at any time remove the designation of any Offshore Non-Guarantor Subsidiary by causing it to execute a supplemental indenture pursuant to which it will Guarantee the Notes under a Subsidiary Guarantee in accordance with the provisions of the Indenture and delivering such supplemental indenture to the Trustee as a result of which it will become a Subsidiary Guarantor.

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

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

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

#### ***Release of the Subsidiary Guarantees***

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

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

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company 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 authorized and permitted by the terms of the Indenture.

On the Original Issue Date, all of the Company's Subsidiaries will be Restricted Subsidiaries. However, under the circumstances described below under the caption "*Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries*," the Company will be permitted to designate certain of its Subsidiaries as Unrestricted Subsidiaries. The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture and will not guarantee the Notes.

### **Further Issues**

Subject to the covenants described below, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the date and/or amount of the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "**Further Issue**") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; **provided that** the issuance of any such Additional Notes shall then be permitted under the "*Certain Covenants – Limitation on Indebtedness and Preferred Stock*" covenant described below and the other provisions of the Indenture.

### **Optional Redemption**

At any time prior to March 27, 2025, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date. Neither the Trustee nor any of the Agents shall be responsible for verifying or calculating the Applicable Premium.

At any time and from time to time prior to March 27, 2025, the Company may at its option redeem up to 35% of the aggregate principal amount of the 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 107.75% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; **provided that** at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Company will give to the Holders and the Trustee not less than 30 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- if the Notes are listed on any national securities exchange and/or are being held through the clearing systems, in compliance with the requirements of the principal national securities exchange on which the Notes are then listed and/or in compliance with the requirements of the applicable clearing systems; or
- if the Notes are not listed on any national securities exchange or held through the clearing systems, on a *pro rata* basis, by lot or by such method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by applicable law.

Any optional redemption may be subject to such conditions precedent, including the completion of an Equity Offering or other financing transaction, as set out in the notice of redemption.

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

The Company or any of its Affiliates may from time to time purchase Notes in the open market or by tender or by any other means at any price, so long as such acquisition does not otherwise violate the terms of the Indenture; **provided that all Notes redeemed or repurchased by the Company or any of its Affiliates may not be reissued or resold.**

#### **Repurchase of Notes Upon a Change of Control**

Not later than 30 days following a Change of Control, unless the Company has exercised its right to redeem the Notes in full by delivering a notice of redemption, the Company will make an Offer to Purchase all outstanding Notes (a “**Change of Control Offer**”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the failure by the Company to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes may also constitute an event of default under certain other debt instruments of the Company or its Subsidiaries. Future debt of the Company may also (i) prohibit the Company from purchasing Notes in the event of a Change of Control, (ii) provide that a Change of Control is a default or (iii) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Company. The ability of the Company to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Company’s and the Subsidiary Guarantors’ then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “*Risk Factors – Risks Relating to the Notes – We may not be able to repurchase the Notes upon a change of control.*”

The phrase “all or substantially all” as used with respect to the assets of the Company in the definition of “**Change of Control**” will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Company has occurred.

Notwithstanding the above, the Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner, at the same times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.



A Change of Control Offer may be made in advance of a Change of Control and conditioned upon such occurrence of such Change of Control.

Neither the Trustee nor any of the Agents shall be required to take any steps to ascertain whether a Change of Control has occurred and none of them shall be responsible or liable to the Holders for any loss arising from any failure to do so.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

#### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

#### **Additional Amounts**

All payments of principal of, and premium (if any) and interest on, the Notes 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 Company, a Surviving Person (as defined under the caption “–*Consolidation, Merger and Sale of Assets*”) or an applicable Subsidiary Guarantor is organized 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 Company 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 Company, the Surviving Person or the applicable Subsidiary Guarantor, as the case may be, will pay such additional amounts (“**Additional Amounts**”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder 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 Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under a Subsidiary Guarantee, including, without limitation, such Holder 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 Note (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 Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30 day period;
    - (C) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person or any Subsidiary Guarantor addressed to the Holder to provide information concerning such Holder’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 Holder; or

- (D) the presentation of such Note (in cases in which presentation is required) for payment in a Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
  - (ii) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
  - (iii) any tax, duty, assessment or other governmental charge to the extent such tax, duty, assessment or other governmental charge results from the presentation of the Note (where presentation is required) for payment and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere; or
  - (iv) any tax, assessment, withholding or deduction required by section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“**FATCA**”), any current or future U.S. Treasury Regulations or rulings promulgated thereunder, any intergovernmental 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 Holder 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 Holder thereof.

The Company will (i) make any such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company 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.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless the obligation to pay Additional Amounts arises after the 30th day prior to the payment date), if the Company becomes aware that it will be obligated to pay Additional Amounts with respect to such payment, the Company will deliver to the Trustee an Officers’ Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable.

In addition, the Company 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 Notes, or any documentation with respect thereto.

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

### **Redemption for Tax Reasons**

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

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or
- (2) any change in the existing official position, or the stating of an official position, regarding the 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 Company or any initial Subsidiary Guarantor, on or after the Original Issue Date or (ii) with respect to any Future Subsidiary Guarantor or Surviving Person whose jurisdiction of organization or tax residence is not already a taxing jurisdiction, on or after the date such Future Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor or Surviving Person, as the case may be, with respect to any payment due or to become due under the Notes, the Subsidiary Guarantees or the Indenture, the Company, such Subsidiary Guarantor or such Surviving Person, as the case may be, 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 Company, such Subsidiary Guarantor or such Surviving Person, as the case may be; **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, such Subsidiary Guarantor or such Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Notwithstanding anything to the contrary herein, the Company or a Surviving Person may not redeem the Notes if Additional Amounts are payable in respect of PRC withholding tax at a rate of 10% or less solely as a result of the Company or a Surviving Person being considered a PRC tax resident under the Enterprise Income Tax Law and payments of dividends from the Company’s or Surviving Person’s PRC subsidiaries to the Company or Surviving Person are then exempt from PRC withholding tax.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Subsidiary Guarantor or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

- (1) 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 Company, such Subsidiary Guarantor, or such Surviving Person as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case, of recognized 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.

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

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

### **Certain Covenants**

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

#### ***Limitation on Indebtedness and Preferred Stock***

- (a) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); **provided that** the Company or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness (including Acquired Indebtedness) and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 3.0 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (b) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary, may Incur each and all of the following (“**Permitted Indebtedness**”):
  - (i) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee;
  - (ii) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor;
  - (iii) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (b)(iv) of this covenant; **provided that** such Indebtedness of any Restricted Subsidiary shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness excluded from the definition of Permitted Subsidiary Indebtedness by the terms thereof);
  - (iv) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; **provided that** (x) any event which results in any such Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (b)(iv) and (y) if the Company or any Subsidiary Guarantor is the obligor on such Indebtedness and none of the Company or any Subsidiary Guarantor is an obligee, such Indebtedness must be unsecured and be expressly subordinated in right of payment to the Notes, in the case of the Company, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor;
  - (v) Indebtedness (“**Permitted Refinancing Indebtedness**”) issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “**refinance**” and “**refinances**” and “**refinanced**” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness repaid

substantially concurrently with but in any case before the Incurrence of such Permitted Refinancing Indebtedness) Incurred under clause (a) or clause (b)(i), (b)(ii), (b)(iii), (b)(v) and (b)(vii) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); **provided that** (A) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee shall only be permitted under this clause (b)(v) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced and (C) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause (b)(v) by means of any Indebtedness of any Non-Guarantor Subsidiary;

- (vi) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into to protect the Company or any Restricted Subsidiary from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (vii) Indebtedness Incurred by the Company or any Restricted Subsidiary (1) representing Capitalized Lease Obligations or (2) for the purpose of financing (A) all or any part of the purchase price of real or personal property (including the lease purchase price of land use rights), assets or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property, assets or equipment which will, upon such acquisition, become a Restricted Subsidiary or (B) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights), assets or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in the Permitted Business; **provided, however, that** in the case of clauses (A) and (B), (x) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (y) such Indebtedness shall be Incurred no later than 270 days after the acquisition of such property, asset or equipment or completion of such development, construction or improvement, and (z) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted under this clause (b)(vii) (together with, refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (b)(xvii) below and the refinancings thereof) does not exceed an amount equal to 15.0% of Total Assets;
- (viii) Indebtedness Incurred by the Company or any Restricted Subsidiary with respect to workers' compensation claims and claims arising under similar legislation, or in connection with self-insurance obligations or similar requirements (in each case other than for an obligation for borrowed money);

- (ix) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees, performance and surety bonds, completion guarantees and similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees, performance and surety bonds, completion guarantees and similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 60 days following receipt by the Company or such Restricted Subsidiary, as applicable, of a demand for reimbursement;
- (x) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary (other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition); **provided that** the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received (with amounts escrowed by the purchaser deemed actually received to the extent such amounts are available to satisfy such obligation without restriction other than administrative conditions applicable to the release from escrow) by the Company or any Restricted Subsidiary from the disposition of such business, assets or Restricted Subsidiary;
- (xi) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; **provided, however, that** such Indebtedness is extinguished within five Business Days of Incurrence;
- (xii) (A) guarantees by any Non-Guarantor Subsidiary of Indebtedness of any other Non-Guarantor Subsidiary; (B) guarantees by the Company and the Subsidiary Guarantors of each other's Indebtedness or (C) guarantees by the Company and the Subsidiary Guarantors of Indebtedness of Non-Guarantor Subsidiaries; provided, however, in the case of each of (A), (B) and (C) that the Indebtedness guaranteed is permitted to be Incurred under the Indenture and subject to the covenant described under the caption "*Limitation on Issuance of Guarantees by Restricted Subsidiaries*";
- (xiii) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary in order to in effect exchange Renminbi into U.S. dollars or Hong Kong dollars; **provided that** on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (b)(xiii) (together with any refinancings thereof) does not exceed an amount equal to 3.0% of Total Assets;
- (xiv) Indebtedness of the Company or any Restricted Subsidiary with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; **provided that** on the date of the Incurrence of any Indebtedness permitted by this clause (b)(xiv) and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (b)(xiv) (together with any refinancings thereof) does not exceed an amount equal to 10.0% of Total Assets;
- (xv) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$30.0 million (or the Dollar Equivalent thereof);

- (xvi) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of the company (or holding company thereof) referred to under paragraph (15) of the definition of “Permitted Investments,” to the extent that (A) such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into the related sale and purchase agreement and (B) the aggregate amount of Indebtedness permitted under this clause (b) (xvi) shall not exceed US\$150.0 million; and
- (xvii) Indebtedness Incurred by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; **provided that**, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(xvii) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (b)(vii) above and the refinancings thereof) does not exceed an amount equal to 15.0% of Total Assets.
- (c) For purposes of determining compliance with this “*Limitation on Indebtedness and Preferred Stock*” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first sentence of clause (a) of this covenant, the Company, in its sole discretion, shall classify, and from time to time may reclassify, all or any portion of such item of Indebtedness in one or more types of Indebtedness described above.
- (d) For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness under this “*Limitation on Indebtedness and Preferred Stock*” covenant, the Dollar Equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; **provided that** if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant shall not be deemed to be exceeded with respect to any outstanding Indebtedness solely as a result of fluctuations in the exchange rate of currencies. Accrual of interest, the accretion of accreted value, the payment of interest in the form of additional Indebtedness with the same terms, payment of dividends or distributions on Disqualified Stock in the form of additional shares of Disqualified Stock of the same class, and the amortization or accretion of original issue discount or liquidation preference shall not be deemed to be the incurrence of Indebtedness or Disqualified Stock for purposes of this covenant.

#### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “**Restricted Payments**”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company’s or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;

- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary or any direct or indirect parent of the Company (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company and any Wholly Owned Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (A) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (B) the Company could not Incur at least US\$1.0 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption “– *Limitation on Indebtedness and Preferred Stock*”; or
- (C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum (without duplication) of:
  - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2014 and ending on the last day of the Company’s most recently ended semi-annual period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) and have been provided to the Trustee at the time of such Restricted Payment; plus
  - (ii) 100% of the aggregate Net Cash Proceeds or Fair Market Value of non-cash proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds or Fair Market Value of non-cash proceeds received upon (x) the conversion by a Person who is not a Subsidiary of the Company of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (y) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
  - (iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company or any Restricted Subsidiary upon such conversion or exchange); plus



- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (v) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case, to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (w) the unconditional release of a guarantee provided by the Company or any Restricted Subsidiary after the Measurement Date of an obligation of another Person (to the extent such guarantee was treated as a Restricted Payment), (x) to the extent that an Investment made after the Measurement Date is sold or otherwise liquidated or repaid for cash, the lesser of (a) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (b) the initial amount of such Investment, (y) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Measurement Date in any such Person, or (z) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Company or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”) but only to the extent such Investments by the Company or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (C).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); **provided that** the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph;
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company (or options, warrants or other rights to acquire such Capital Stock); **provided that** the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph;
- (5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable on a *pro rata* basis or on a basis more favorable to the Company to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) the repurchase, redemption or other acquisition of Capital Stock of the Company from employees, former employees, directors or former directors of the Company or any Restricted Subsidiary (or their estate or authorized representatives) upon the death, disability or termination of employment

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

- (7) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (8) cash payment in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for the Capital Stock of the Company;
- (9) dividends paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or the type of Indebtedness described under paragraph (b)(xvii) of the “– *Limitation on Indebtedness and Preferred Stock*” covenant;
- (10) the repurchase of Capital Stock of the Company with respect to any fiscal year by the Company or any Restricted Subsidiary, **provided that** such repurchase of Capital Stock of the Company pursuant to this clause (10) shall not in the aggregate exceed US\$30.0 million (or the Dollar Equivalent thereof) in any fiscal year of the Company; or
- (11) other Restricted Payments in an aggregate amount not to exceed US\$25.0 million (or the Dollar Equivalent thereof) after the Measurement Date.

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

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

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

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

***Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries***

- (a) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
- (i) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
  - (ii) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
  - (iii) make loans or advances to the Company or any other Restricted Subsidiary; or
  - (iv) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:
- (i) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the Indenture or Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect on the ability of such Restricted Subsidiary to take any of the actions described in clauses (i) through (iv) of paragraph (a) above than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (ii) existing under or by reason of applicable law, rule, regulation or order;
  - (iii) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect on the ability of such Person to take any of the actions described in clauses (i) through (iv) of paragraph (a) above than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
  - (iv) that otherwise would be prohibited by the provision described in clause (a)(iv) of this covenant if they arise, or are agreed to in the ordinary course of business, and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (y) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (z) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

- (v) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “– *Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*,” “– *Limitation on Indebtedness and Preferred Stock*” and “– *Limitation on Asset Sales*” covenants; or
- (vi) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clause (a) or clause (b)(v), (vii), (xiii), (xiv) or (xv) of the “– *Limitation on Indebtedness and Preferred Stock*” covenant if such encumbrances or restrictions are (A) customary for such types of agreements and (B) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make required payments on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced, **provided, further, that** the Board of Directors is empowered to determine as to whether the conditions set forth in clauses (A) and (B) are met, which determination will be conclusive if it is made in good faith and evidenced by a Board Resolution; or
- (vii) existing in customary provisions in joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (A) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (B) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect the ability of the Company to make the required payments on the Notes, **provided, further, that** the Board of Directors is empowered to determine as to whether the conditions set forth in clauses (A) and (B) are met, which determination will be conclusive if it is made in good faith and evidenced by a Board Resolution; or
- (viii) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; **provided that** the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

***Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries***

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (a) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators or in such proportions as would result in a greater percentage of ownership in such Restricted Subsidiary by the Company;

- (b) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (c) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "*Limitation on Restricted Payments*" covenant if made on the date of such issuance or sale and **provided that** the Company complies with the "*– Limitation on Asset Sales*" covenant to the extent required thereunder; and
- (d) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); **provided that** the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "*– Limitation on Asset Sales*" covenant to the extent required thereunder.

#### ***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Non-Guarantor Subsidiary, directly or indirectly, to guarantee any Indebtedness ("**Guaranteed Indebtedness**") of the Company or any Subsidiary Guarantor, unless (1) to the extent permitted by the applicable laws and regulations (A) such Non-Guarantor Subsidiary, as soon as practicable but in any event within five (5) Business Days thereafter, executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Non-Guarantor Subsidiary, whereupon it shall become a "**Subsidiary Guarantor**" and (B) such Non-Guarantor Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Non-Guarantor Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (b)(iv) or (b)(xiii) (in the case of clause (b)(xiii), with respect to the Guarantee provided by any PRC Restricted Subsidiary through the pledge of one or more PRC bank accounts or deposits to secure (or the use of any Guarantee or letter of credit or similar instrument to Guarantee) any Bank Deposit Secured Indebtedness) under the "*Limitation on Indebtedness and Preferred Stock*" covenant.

If the Guaranteed Indebtedness (i) ranks *pari passu* in right of payment with the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Subsidiary Guarantee or (ii) is subordinated in right of payment to the Notes or any Subsidiary Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Subsidiary Guarantee.

#### ***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "**Affiliate Transaction**"), unless:

- (i) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable arm's-length transaction by the Company or the relevant Restricted Subsidiary with a Person that is not such a holder or an Affiliate of the Company; and
- (ii) the Company delivers to the Trustee:

- (A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
- (B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$25.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(A) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or such Restricted Subsidiary than the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case issued by an accounting, appraisal or investment banking firm of recognized international standing.

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

- (1) the payment of reasonable and customary regular fees and expenses to directors who are not employees of the Company or any Restricted Subsidiary for their service as board members of the Company or any Restricted Subsidiary;
- (2) transactions between or among the Company and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption “– *Limitation on Restricted Payments*” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Company;
- (5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme; and
- (6) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (6) or (7) of the second paragraph of the covenant described under the caption “*Limitation on Restricted Payments.*”

The requirements of clause (ii) of the first paragraph of this covenant shall not apply to (A) Investments (other than Permitted Investments) not prohibited by the “– *Limitation on Restricted Payments*” covenant, (B) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification, renewal or replacement thereof, so long as such amendment, modification, renewal or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (C) any transaction between or among the Company or a Wholly Owned Restricted Subsidiary on the one hand and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary on the other hand or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; **provided that** in the case of clause (C), (1) such transaction is entered into in the ordinary course of business and (2) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary).

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

#### ***Limitation on Liens***

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

#### ***Limitation on Sale and Leaseback Transactions***

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

- (a) the Company or any Restricted Subsidiary could have (1) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under clause (a) of the covenant described under the caption “– *Limitation on Indebtedness and Preferred Stock*” and (2) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption “– *Limitation on Liens*,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (b) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction, **provided however that** such gross cash proceeds may be equal to 70.0% or more of the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction (notwithstanding the covenant described under the caption “– *Limitation on Asset Sales*” and clause (c) below) if (i) the counterparty of the Sales and Leaseback Transaction is a bank or a financial institution or any Person primarily engaged in the business of finance leasing, in each case that is not an Affiliate of the Company, (ii) the leaseback of the relevant property is accounted for using capital lease method or finance lease method under GAAP on the Company’s consolidated financial statements and (iii) the payments to be made by the Company or the relevant Restricted Subsidiary under the leaseback transaction, including lease payments and the price of the purchase option at the end of the lease term, are fair to the Company or the relevant Restricted Subsidiary (from a market practice standpoint applied to a lessee with similar creditworthiness) as determined by the Company in good faith, after considering the gross cash proceed amount the Company or the relevant Restricted Subsidiary received when the property that is the subject of the Sales and Leaseback Transaction was initially transferred to the lessor; and
- (c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described under the caption “– *Limitation on Asset Sales*.”

#### ***Limitation on Asset Sales***

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (a) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (b) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
- (c) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; **provided that** in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$20.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:
  - (i) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary, as the case may be, from further liability; and
  - (ii) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

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

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

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

- (i) accumulated Excess Proceeds, multiplied by
- (ii) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.



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

#### ***Limitation on the Company's Business Activities***

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

#### ***Use of Proceeds***

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (a) in the amounts and for the purposes specified under the caption “*Use of Proceeds*” in this offering memorandum and (b) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments.

#### ***Designation of Restricted and Unrestricted Subsidiaries***

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; **provided that** (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) neither the Company nor any Restricted Subsidiary guarantees or otherwise provides credit support for the Indebtedness of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Company or any other Restricted Subsidiary; (d) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness, or any Lien on any property, of the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “– *Limitation on Indebtedness and Preferred Stock*” or such Lien would violate the covenant described under the caption “– *Limitation on Liens*”; (e) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; (f) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption “*Limitation on Restricted Payments*”; and (g) such Restricted Subsidiary does not own or operate or possess any material license, franchise or right used in connection with the ownership or operation of the Company's or its Restricted Subsidiaries' business, taken as a whole.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; **provided that** (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “– *Limitation on Indebtedness and Preferred Stock*”; (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “– *Limitation on Liens*”; (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently

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

#### ***Government Approvals and Licenses; Compliance with Law***

The Company will, and will cause each Restricted Subsidiary to, (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, (b) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (1) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (2) the ability of the Company or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee or the Indenture.

#### ***Anti-Layering***

The Company will not, and will not permit any Subsidiary Guarantor to, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

#### ***Provision of Financial Statements and Reports***

- (a) So long as any of the Notes remain outstanding, the Company will furnish to the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized stock exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; **provided that**, if at any time the common shares of the Company cease to be listed for trading on a recognized stock exchange, the Company will furnish to the Trustee and the Holders:
- (i) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants;
  - (ii) as soon as they are available, but in any event within 60 calendar days after the end of the first semi-annual fiscal period of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants; and
  - (iii) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third fiscal quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person

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

- (b) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (1) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent semi-annual fiscal periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, together with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; **provided that** the Company shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (2) as soon as possible and in any event within 10 days after the Company becomes aware of the occurrence of a Default or an Event of Default, and within 14 days of any request by the Trustee, an Officers' Certificate setting forth the details of such Default or Event of Default, and the action which the Company proposes to take with respect thereto. The Trustee shall not be responsible for the determination of the Fixed Charge Coverage Ratio or the verification thereof in the Officers' Certificate.

#### **Events of Default**

The following events will be defined as "**Events of Default**" in the Indenture:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (c) default in the performance or breach of the provisions of the covenants described under the captions "*– Consolidation, Merger and Sale of Assets,*" the failure by the Company to make or consummate an Offer to Purchase in the manner described under the captions "*– Repurchase of Notes Upon a Change of Control,*" or "*– Certain Covenants – Limitation on Asset Sales*";
- (d) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice of such default or breach to the Company by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (e) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$30.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (1) an event of default that has caused any holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (2) the failure to make a principal payment when due;
- (f) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such

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

- (g) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (h) the Company or any Restricted Subsidiary (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary, or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary, or (3) effects any general assignment for the benefit of creditors; or
- (i) any Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

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

The Holders of at least a majority in aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) may on behalf of all Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (x) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and
- (y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

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

If an Event of Default occurs and is continuing, the Trustee may, and shall upon written request of Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to being indemnified and/or secured and/or prefunded to its satisfaction), pursue, in its own name or as Trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. Subject to the provisions of the Indenture, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture unless indemnity and/or security and/or prefunding satisfactory to the Trustee against any fee, cost, charge, loss, liability or expense which may be incurred by the Trustee as a result of such exercise has been offered to the Trustee.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, or conflicts with law or the Indenture that may involve the Trustee in personal liability, or that the Trustee determines may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder of Notes may not institute any proceedings, judicial or otherwise against the Company, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be properly incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security and/or prefunding to its satisfaction; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under any Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder. No one or more of such Holders of the Notes shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all of such Holders.

Two Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year and after request from the Trustee, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will

also be obligated to notify the Trustee in writing of any Default or Event of Default in the performance of any covenants or agreements under the Indenture. See “– *Provision of Financial Statements and Reports.*”

### **Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (a) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Company consolidated or merged, or that acquired or leased such property and assets (the “**Surviving Person**”) shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes, or from or through which it makes payments, and the Indenture and the Notes, shall remain in full force and effect;
- (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (c) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (d) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption “– *Certain Covenants – Limitation on Indebtedness and Preferred Stock*”;
- (e) the Company delivers to the Trustee (1) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (f) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under this covenant, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture.

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

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

- (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
- (c) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (d) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption “– *Certain Covenants – Limitation on Indebtedness and Preferred Stock*”; and
- (e) the Company delivers to the Trustee (1) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with.

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

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

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

#### **No Payments for Consents**

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

#### **Defeasance**

##### ***Defeasance and Discharge***

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

- (a) the Company has (1) deposited with the Trustee (or its agent), in trust, cash in U.S. dollars and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (2) delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive Lien over such trust;
- (b) the Company has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;
- (c) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and
- (d) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance, each of the Subsidiary Guarantees will terminate.

#### ***Defeasance of Certain Covenants***

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (c), (d) and (e)(1) under the first paragraph and clauses (c), (d) and (e)(1) under the second paragraph under “*Consolidation, Merger and Sale of Assets*” and all the covenants described herein under “*Certain Covenants*,” other than as described under “– *Certain Covenants-Government Approvals and Licenses; Compliance with Law*” and “– *Certain Covenants – Anti-Layering*,” clause (c) under “*Events of Default*” with respect to such clauses (c), (d) and (e)(1) under the first paragraph and clauses (c), (d) and (e)(1) under the second paragraph under “*Consolidation, Merger and Sale of Assets*” and with respect to the other events set forth in such clause, clause (d) under “*Events of Default*” with respect to such other covenants and clauses (e) and (f) under “*Events of Default*” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (b) of the preceding paragraph.

#### ***Defeasance and Certain Other Events of Default***

In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default



that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee (or its agent) will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company and the Subsidiary Guarantors will remain liable for such payments.

### **Amendments and Waivers**

#### ***Amendments Without Consent of Holders***

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

- (a) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Subsidiary Guarantees or the Notes;
- (b) comply with the provisions described under “*Consolidation, Merger and Sale of Assets*”;
- (c) evidence and provide for the acceptance of appointment by a successor Trustee;
- (d) add any Subsidiary Guarantor or any Subsidiary Guarantee or release any Subsidiary Guarantor from any Subsidiary Guarantee as provided or permitted by the terms of the Indenture;
- (e) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (f) add collateral to secure the Notes or any Subsidiary Guarantee and create or register Liens on such additional collateral or to enter into any intercreditor agreement relating thereto;
- (g) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (h) effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;
- (i) make any other change that does not adversely affect the rights of any Holder; or
- (j) conform the text of the Indenture, the Notes or the Subsidiary Guarantees, to any provision of this “*Description of the Notes*” to the extent that such provision in this “*Description of the Notes*” was intended to be a verbatim recitation of a provision in the Indenture, the Notes or the Subsidiary Guarantees.

#### ***Amendments With Consent of Holders***

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

- (a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (b) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (c) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;

- (d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Subsidiary Guarantee;
- (e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (f) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (g) release any Subsidiary Guarantor from its Subsidiary Guarantee, except as provided in the Indenture;
- (h) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (i) amend, change or modify any Subsidiary Guarantee in a manner that adversely affects the Holders, except as permitted by the Indenture;
- (j) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale;
- (k) change the redemption date or the redemption price of the Notes from that stated under the caption “– *Optional Redemption*” or “– *Redemption for Tax Reasons*”;
- (l) amend, change or modify the obligation of the Company or any Subsidiary Guarantor to pay Additional Amounts; or
- (m) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

#### **Unclaimed Money**

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

#### **No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees**

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under U.S. federal securities law or other applicable laws.

#### **Concerning the Trustee and the Agents**

China CITIC Bank International Limited will be appointed as Trustee under the Indenture, and also as registrar (the “**Registrar**”), paying agent (the “**Paying Agent**”) and transfer agent (the “**Transfer Agent**”), and together with the Registrar and the Paying Agent, and their respective successors, the

“**Agents**”). Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

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

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

### **Book-Entry; Delivery and Form**

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

### **Global Note**

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

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

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

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

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

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, the Agents and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or any failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

### **Redemption of Global Note**

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the U.S. dollar amount received by the common depositary, Euroclear or Clearstream, as applicable in connection with the redemption of such Global Note (or any portion thereof). The Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; **provided, however, that** no book-entry interests of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

### **Action by Owners of Book-Entry Interests**

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. Except as otherwise required by law, in determining the identity of the Holders or considering their interests, the Trustee may rely solely on the Register save where the Notes are evidenced by the Global Note where the Trustee may, to the extent it considers it appropriate to do so in the circumstances, (i) have regard to such 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 Global Notes and (ii) consider such interests on the basis that such accountholders were the holders of the Global Notes.

### **Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under “*Transfer Restrictions*.”

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

### **Global Clearance and Settlement Under the Book-Entry System**

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

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser’s and seller’s accounts are located to ensure that settlement can be made on the desired value date.

### **Information Concerning Euroclear and Clearstream**

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures relating to book-entry interests.

### **Individual Definitive Notes**

If (1) the common depository or any successor to the common depository is at any time unwilling or unable to continue as a depository for the reasons described in the Indenture and a successor depository is not appointed within 90 days, (2) either Euroclear or Clearstream, or a successor 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 to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “– *Events of Default*” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depository or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depository for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by or on behalf of the Registrar for delivery to the Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to

provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

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

### **Notices**

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

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

### **Consent to Jurisdiction; Service of Process**

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

### **Governing Law**

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

### **Definitions**

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "*Description of the Notes*" for which no definition is provided.

**"Acquired Indebtedness"** means Indebtedness of a Person existing at the time such Person is merged with or into or becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary, whether or not such Indebtedness is Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

**"Adjusted Treasury Rate"** means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published

weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities”, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after March 27, 2025, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

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

“**Applicable Premium**” means, with respect to a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the principal amount of such Note on March 27, 2025, plus all required remaining scheduled interest payments due on such Note through March 27, 2025 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

“**Asset Acquisition**” means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

“**Asset Disposition**” means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

“**Asset Sale**” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; **provided that** “Asset Sale” shall not include:

- (a) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;
- (b) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption “– *Limitation on Restricted Payments*”;

- (c) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$2.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (d) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Company or its Restricted Subsidiaries;
- (e) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (f) a transaction covered by the covenant under the caption “– Consolidation, Merger and Sale of Assets”;
- (g) sales or other dispositions of cash or Temporary Cash Investments; and
- (h) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

“**Attributable Indebtedness**” means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction.

“**Average Life**” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and the amount of such principal payment by (2) the sum of all such principal payments.

“**Bank Deposit Secured Indebtedness**” means Indebtedness of the Company or any Restricted Subsidiary that is (1) secured by a pledge of one or more bank accounts or deposits of a PRC Restricted Subsidiary or (ii) Guaranteed by a Guarantee or a letter of credit (or similar instruments) from or arranged by a PRC Restricted Subsidiary, and is used by the Company and its Restricted Subsidiaries to in effect exchange Renminbi into U.S. dollars or Hong Kong dollars; **provided, however, that** the total deposits in such pledged bank accounts or the value of collaterals provided for the letter of credit or similar instruments shall not at any time exceed an amount equal to 110% of the aggregate outstanding principal amount of such Indebtedness (or the Dollar Equivalent thereof).

“**Board of Directors**” means the board of directors elected or appointed by the shareholders or directors of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“**Board Resolution**” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“**Business Day**” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong are authorized by law or governmental regulation to close.

“**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 Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.



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

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

“**Change of Control**” means the occurrence of one or more of the following events:

- (1) 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 Company and its Restricted Subsidiaries, taken as a whole, to any “person” (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;
- (2) the Company 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 Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company 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 Company 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;
- (3) 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 Company;
- (4) individuals who on the Original 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 Original 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
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“**Clearstream**” means Clearstream Banking S.A.

“**Commodity Hedging Agreement**” means any spot forward or option, commodity price protection agreement or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“**Common Stock**” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares.

“**Comparable Treasury Issue**” means the U.S. Treasury security having a maturity comparable to March 27, 2025 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to March 27, 2025.

“**Comparable Treasury Price**” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Company, Reference Treasury Dealer Quotations for such redemption date.

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

“**Consolidated EBITDA**” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (a) Consolidated Interest Expense;
- (b) income taxes (other than income taxes attributable to extraordinary and non-recurring gains or losses or sales of assets); and
- (c) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income,

all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; **provided that** (i) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (ii) in the case of any PRC CJV consolidated in accordance with GAAP, Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“**Consolidated Fixed Charges**” means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or dividends paid to the Company or to a Wholly Owned Restricted Subsidiary.

“**Consolidated Interest Expense**” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is guaranteed by or secured by a Lien on assets of the Company or any Restricted Subsidiary

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

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

- (a) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except that:
  - (i) subject to the exclusion contained in clause (e) below, the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (c) below); and
  - (ii) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (b) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (c) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (d) the cumulative effect of a change in accounting principles;
- (e) any net after-tax gains realized on the sale or other disposition of (A) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of business or (B) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or any Restricted Subsidiary);
- (f) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (g) any net after-tax extraordinary or non-recurring gains.

**“Consolidated Net Worth”** means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in accordance with GAAP.

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

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

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

“**Dollar Equivalent**” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“**Entrusted Loans**” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, **provided that**, such borrowings are not reflected on the consolidated balance sheet of the Company.

“**Equity Offering**” means (i) any bona fide primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any bona fide secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date the net proceeds of which are contributed to the common equity capital of the Company; **provided that** the aggregate gross cash proceeds received by the Company from such transaction are no less than US\$20.0 million (or the Dollar Equivalent thereof).

“**Euroclear**” means Euroclear Bank SA/NV.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934, as amended.

“**Exempted Subsidiary**” means a Restricted Subsidiary organized in any jurisdiction other than the PRC that (x) is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or (y) to the extent that such approval or registration is available under any applicable law or regulation, failed to obtain any required governmental or regulatory approval or registration with respect to providing a Subsidiary Guarantee after the Company and such Restricted Subsidiary used their best efforts; **provided that** such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon the conditions set forth in (x) and (y) above cease to be in force or apply to such Restricted Subsidiary.

“**Fair Market Value**” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

“**Fixed Charge Coverage Ratio**” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual fiscal periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “**Two Semi-annual Fiscal Periods**”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Fiscal Periods. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “**Reference Period**”) commencing on and including the first day of the Two Semi-annual Fiscal Periods and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Fiscal Periods), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; **provided that** in the event of any such repayment or redemption, Consolidated EBITDA for such Two Semi-annual Fiscal Periods shall not include any interest income actually earned by the Company or such Restricted Subsidiary during such Two Semi-annual Fiscal Periods in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

**provided that** to the extent that clause (d) or (e) of this paragraph requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full semi-annual fiscal periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

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

“**guarantee**” 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 (1) 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 keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) 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.

“**Hedging Obligation**” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“**Holder**” means the Person in whose name a Note is registered in the Note register.

“**Hongqiao Hong Kong**” means Hongqiao Investment (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability.

“**Hongqiao Investment**” means China Hongqiao Investment Limited (中國宏橋投資有限公司), a company incorporated in the British Virgin Islands with limited liability.

“**Hongqiao Trading**” means Hongqiao (HK) International Trading Limited, a company incorporated in Hong Kong with limited liability.

“**Incur**” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; **provided that** (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms “**Incurrence**,” “**Incurred**” and “**Incurrence**” have meanings correlative with the foregoing.

“**Indebtedness**” means, with respect to any Person at any date of determination (without duplication):

- (a) all indebtedness of such Person for borrowed money;
- (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (c) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (d) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (e) all Capitalized Lease Obligations and Attributable Indebtedness;

- (f) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; **provided that** the amount of such Indebtedness shall be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
- (g) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;
- (h) to the extent not otherwise included in this definition, Hedging Obligations;
- (i) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and
- (j) any Preferred Stock issued by (i) such Person, if such Person is a Restricted Subsidiary or (ii) any Restricted Subsidiary of such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

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

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

- (A) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;
- (B) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “**Indebtedness**” so long as such money is held to secure the payment of such interest; and
- (C) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (b)(vi) of the covenant described under the caption “– *Limitation on Indebtedness and Preferred Stock*”; and (ii) equal to the net amount payable if such Hedging Obligation terminated at or prior to that time due to a default by such Person if not Incurred pursuant to such clause.

“**Indonesia**” means the Republic of Indonesia.

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

“**Investment**” means:

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

- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others),
- (3) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person, or
- (4) any guarantee of any obligation of another Person to the extent such obligation is outstanding.

For the purposes of the provisions of the “– *Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries*”, “– *Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*” and “– *Certain Covenants – Limitation on Restricted Payments*” covenants: (i) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company’s proportional interest in the Fair Market Value of the assets (net of liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation (ii) if the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person not sold or disposed of and (iii) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“**Iron Ore Project**” shall have the same meaning as that term was defined in the Company’s public announcement issued on the website of The Stock Exchange of Hong Kong Limited on March 6, 2024.

“**January 2021 CB**” means the 5.25% convertible bonds due 2026 issued by the Company in the aggregate principal amount of US\$300,000,000 on January 25, 2021.

“**June 2021 Notes**” means 6.25% senior notes due 2024 issued by the Company in the aggregate principal amount of US\$500,000,000 on June 8, 2021.

“**Lien**” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“**Measurement Date**” means June 26, 2014.

“**Net Cash Proceeds**” means:

- (a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of
  - (1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
  - (2) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;



- (3) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
  - (4) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

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

- (1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “**Offer to Purchase Payment Date**”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “*Option of the Holder to Elect Purchase*” on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; **provided that** each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Company shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Company for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or the Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; **provided that** each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

The Company will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“**Officer**” means one of the executive officers of the Company 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.

“**Opinion of Counsel**” means a written opinion from legal counsel selected by the Company; **provided that** such opinion shall be in form and substance acceptable to the Trustee.

“**Original Issue Date**” means the date on which the Notes are originally issued under the Indenture.

“**Pari Passu Subsidiary Guarantee**” means a guarantee by any Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes) or a Subsidiary Guarantor; **provided that** (i) the Company and such Subsidiary Guarantor were permitted to Incur such Indebtedness under the covenant described under the caption “– *Certain Covenants – Limitation on Indebtedness and Preferred Stock*” and (ii) such guarantee ranks *pari passu* with the Subsidiary Guarantee of such Subsidiary Guarantor.

“**Permitted Business**” means any business which is the same as, related, ancillary or complementary to any of the business of the Company and its Restricted Subsidiaries on the Original Issue Date as described in this offering memorandum as well as businesses that constitute an upstream or downstream business of the current business of the Company, including the iron ore mining business in Guinea.

“**Permitted Holders**” means any or all of the following:

- (1) Mr. Zhang Bo;
- (2) the estate or the immediate family members of the Person specified in clause (1) and any trust established for the benefit of Mr. Zhang Bo and such immediate family members;
- (3) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of “**Affiliate**”) of the Person specified in clause (1) or (2) of this definition; and
- (4) 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 (1), (2) and (3) of this definition.

“**Permitted Investment**” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is, directly or indirectly through one or more other Restricted Subsidiaries, primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is, directly or indirectly through one or more other Restricted Subsidiaries, primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to the Company or a Restricted Subsidiary that is, directly or indirectly through one or more other Restricted Subsidiaries, primarily engaged in a Permitted Business;
- (2) Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates and not for speculation;
- (7) receivables, trade credits or other current assets owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received by the Company or any Restricted Subsidiary in connection with an Asset Sale made in compliance with the covenant under the caption “– *Certain Covenants – Limitation on Asset Sales*”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under the caption “– *Certain Covenants – Limitation on Liens*”;

- (10) Investments in securities or other obligations of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (11) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of a Permitted Business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet and dischargeable in accordance with customary terms;
- (12) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers, compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (13) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case, in the ordinary course of a Permitted Business;
- (14) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (15) Investments made in a company organized under the laws of Bermuda or a holding company holding such company, which is, through its subsidiaries, primarily engaged in bauxite mining business in Guinea; **provided that** (i) the amount of any Investment made by the Company or any Restricted Subsidiary under this clause (15) shall be based on the Fair Market Value on the date of the Investment; (ii) the aggregate amount of the Investments (valued at the time such Investments were made) made pursuant to this clause (15) shall not exceed US\$150.0 million; (iii) no Default shall have occurred and be continuing, as of the date of any Investment made under this clause (15), or would occur as a result of such Investment; and (iv) the Company could, as of the date of such Investments, Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (a) of the covenant described under the caption "*– Limitation on Indebtedness and Preferred Stock*";
- (16) Investments made in the Iron Ore Project located at Simandou, Guinea, in accordance relevant agreements described in the Company's announcement with The Stock Exchange of Hong Kong Limited dated March 6, 2024; provided that (i) the amount of any Investment made by the Company or any Restricted Subsidiary under this clause (16) shall be based on the Fair Market Value on the date of the Investment; (ii) the aggregate amount of the Investments (valued at the time such Investments were made and including any guarantee provided) made pursuant to this clause (16) shall not exceed US\$2,500.0 million; (iii) no Default shall have occurred and be continuing, as of the date of any Investment made under this clause (16), or would occur as a result of such Investment; and (iv) the Company could, as of the date of such Investments, Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (a) of the covenant described under the caption "*– Limitation on Indebtedness and Preferred Stock*";
- (17) any Investment by the Company or any Restricted Subsidiary in any Person primarily engaged in a Permitted Business; **provided that:**
  - (i) the aggregate of all Investments made under this clause (16) since the Original Issue Date shall not exceed in aggregate an amount equal to 5.0% of Total Assets, **provided that** such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (16) since the Original Issue Date resulting from:

- (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (16), in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income);
  - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person;
  - (C) to the extent that an Investment made after the Original Issue Date under this clause (16) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (16); or
  - (D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (i) of this “Permitted Investment” definition);
- (ii) none of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (16) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “– *Limitation on Transactions with Shareholders and Affiliates*” (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary);
  - (iii) no Default has occurred and is continuing or would occur as a result of such Investment; and
  - (iv) the Company could, as of the date of such Investment, Incur at least US\$1.00 of Indebtedness under the proviso in paragraph (a) of the covenant described under the caption “– *Limitation on Indebtedness and Preferred Stock*”; and
- (18) guarantees permitted under the covenant under “– *Limitation on Indebtedness and Preferred Stock*”.

“**Permitted Liens**” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; **provided that** such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; **provided further that** such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens incurred in the ordinary course of business securing reimbursement obligations with respect to letters of credit, trade guarantees, performance and surety bonds, completion guarantees and similar instruments that encumber documents and other property relating to such letters of credit, trade guarantees, performance and surety bonds, completion guarantees and similar instruments and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(vi) of the covenant under the caption “– *Limitation on Indebtedness and Preferred Stock*”;
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(v) of the covenant described under the caption “– *Limitation on Indebtedness and Preferred Stock*”; **provided that** such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease;
- (14) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Company or any Restricted Subsidiary;
- (15) Liens (including extensions and renewals thereof) upon real or personal property, assets or equipment acquired after the Original Issue Date by the Company or any Restricted Subsidiary; **provided that** (a) such Lien is created solely for the purpose of securing Indebtedness of the type permitted to be Incurred under clause (b)(vii)(2) of the covenant described under the caption “– *Limitation on Indebtedness and Preferred Stock*,” (b) such Lien is created prior to, at the time of or within 270 days after the later of the acquisition or the completion of development, construction or improvement of such property, (c) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (d) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item;

- (16) Liens securing Attributable Indebtedness that is permitted to be Incurred under the Indenture;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation permitted to be Incurred under the Indenture; **provided**, however, that the Liens do not extend to any property or assets which is not leased property subject to such Capitalized Lease Obligation;
- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) by the Company or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;
- (20) Liens incurred on one or more PRC bank accounts to secure Bank Deposit Secured Indebtedness of the type described under clause (b)(xiii) of the covenant described under "*– Limitation on Indebtedness and Preferred Stock*";
- (21) Liens on deposits or funds held in escrow arrangements securing Indebtedness permitted under clause (b)(x) of the covenant described under the caption "*– Certain Covenants – Limitation on Indebtedness and Preferred Stock*";
- (22) Bankers' Liens in the nature of setoff arising in the ordinary course of business and consistent with industry practice;
- (23) Liens in favor of customs and revenue authorities arising by operation of law to secure payment of customs duties in connection with importation or exportation of goods in the ordinary course of business;
- (24) Retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller, in each case in the ordinary course of business;
- (25) Liens on real or personal property or assets of any PRC Non-Guarantor Subsidiary securing any Indebtedness of a PRC Non-Guarantor Subsidiary; **provided that** the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (25) does not exceed 200% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;
- (26) Liens on real or personal property or assets of any Offshore Non-Guarantor Subsidiary securing any Indebtedness of such Offshore Non-Guarantor Subsidiary; **provided that** the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (26) does not exceed 200% of the aggregate principal amount or aggregate committed amount of Indebtedness secured by such Liens;
- (27) Liens Incurred on deposits made to secure Entrusted Loans;
- (28) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (xiv) of paragraph (b) of the covenant described under the caption entitled "*– Certain Covenants – Limitation on Indebtedness and Preferred Stock*";

- (29) Liens securing Indebtedness which is permitted to be Incurred under clause (xv) of paragraph (b) of the covenant described under the caption entitled “– *Certain Covenants – Limitation on Indebtedness and Preferred Stock*”; and
- (30) Liens on the Capital Stock of a Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, the Indebtedness of the type described under paragraph (b)(xvii) of the second paragraph of the “– *Limitation on Indebtedness and Preferred Stock*” covenant.

“**Permitted Subsidiary Indebtedness**” means any Indebtedness of the Non-Guarantor Subsidiaries, taken as a whole; **provided that**, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (b)(i), (b)(ii), (b)(iv), (b)(vi), (b)(viii), (b)(ix), (b)(x), (b)(xi) and (b)(xii) of the covenant described under “– *Certain Covenants – Limitation on Indebtedness and Preferred Stock*”) does not exceed an amount equal to 30% of Total Assets.

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

“**PRC**” means the People’s Republic of China, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“**PRC CJV**” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020 and the Detailed Rules for the Regulation of Implementing the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020, as such laws may be amended.

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

“**PRC Restricted Subsidiary**” means a Restricted Subsidiary organized under the laws of the PRC.

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

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

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

“**Replacement Assets**” means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business, including the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and is or will become, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, a Restricted Subsidiary.



“**Renminbi**” or “**RMB**” means the lawful currency of the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of the Indenture.

“**Restricted Subsidiary**” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“**S&P**” means Standard & Poor’s Ratings Services and its affiliates and successors.

“**Sale and Leaseback Transaction**” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“**Senior Indebtedness**” of the Company or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes or (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; **provided that** Senior Indebtedness does not include (i) any obligation to the Company or any Restricted Subsidiary, (ii) trade payables or (iii) Indebtedness Incurred in violation of the Indenture.

“**Stated Maturity**” means, (1) 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 (2) 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.

“**Subordinated Indebtedness**” means any Indebtedness of the Company or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

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

“**Subsidiary Guarantee**” means any guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“**Subsidiary Guarantor**” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; **provided that** Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“**Temporary Cash Investment**” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of the foregoing, in each case maturing within one year;

- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by (i) a bank or trust company which is organized under the laws of the United States of America or any state thereof, any state of the European Economic Area, Singapore or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) (ii) a bank or trust company that is an Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of a bank or trust company described in clause (i) above, or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Agricultural Bank of China, Bank of China, Industrial and Commercial Bank of China, and China Construction Bank; (ii) a bank or trust company that is an Affiliate (other than an Affiliate as defined in clause (ii) or (iii) of the definition of Affiliate) of a bank or trust company described in clause (i) above; (iii) China CITIC Bank, China Everbright Bank, China Minsheng Banking Corp., Ltd., Evergrowing Bank, China Bohai Bank, Crédit Agricole Corporate and Investment Bank, Luso International Banking Ltd, Shanghai Pudong Development Bank, and The Bank of East Asia, Limited; or (iv) with any bank or financial institution organized under the laws of a country or jurisdiction in which the Company or any Restricted Subsidiary transacts business from time to time in the ordinary course of business, **provided that** in the case of this clause (iv), on any date the aggregate amount of such deposits do not exceed (A) in any single bank, the higher of (x) US\$30.0 million (or the Dollar Equivalent thereof) or (y) the Amount Borrowed from such bank and (B) 1.0% of Total Assets, in the aggregate in all such banks. The “**Amount Borrowed**” with respect to each such bank means the Dollar Equivalent of the amount that the Restricted Subsidiary has borrowed from such bank within the immediately preceding sixty (60) days and any interest payable thereon.

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

giving pro forma effect to include the cumulative value of all of the real or personal property, asset or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, and (ii) only with respect to the measurement of the percentage of Total Assets represented by the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Exempted Subsidiaries) that are not Subsidiary Guarantors, Total Assets shall be calculated after giving pro forma effect to (x) any dividends or distributions made by the Company and its Restricted Subsidiaries since the last day of such semi-annual period and (y) the consolidated assets of the Person becoming a New Offshore Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Company, in each case as a result of such Person becoming a New Offshore Non-Guarantor Subsidiary).

“**Trade Payables**” means, with respect to any Person, (i) any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services or (iii) any deferred and unpaid purchase price of any item that is classified as “property, plant and equipment” under GAAP and that is used in a Permitted Business, **provided that** such purchase price is fully payable within 12 months.

“**Transaction Date**” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“**Trust Company Investor**” means an Independent Third Party that is a financial institution or an insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“**Unrestricted Subsidiary**” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary.

“**U.S. Government Obligations**” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; **provided that** (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“**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.

“**Wholly Owned**” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned

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

## TAXATION

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

### **Cayman Islands Taxation**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular 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 Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. The Cayman Islands is a party to a double taxation treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double taxation treaties.

No stamp duty is payable in respect of the Notes **provided that** they are issued, executed and remain outside 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, 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 June 8, 2010.

### **British Virgin Islands Taxation**

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by Hongqiao Investment pursuant to the Subsidiary Guarantees.

### **Hong Kong Taxation**

The following summary of certain Hong Kong tax consequences of purchase, ownership and disposition of the Notes is based upon laws, regulations, decisions and practice now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the consequences applicable to all

categories of investors, some of which may be subject to special rules. Persons considering the purchases of the Notes should consult their own tax advisers concerning the application of Hong Kong tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

### ***Withholding Tax***

No withholding tax is payable in Hong Kong on payments of principal (including any premium payable on redemption of the Notes) or of interest in respect of the Notes.

### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the “**Amendment Ordinance**”) came into effect on January 1, 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Notes received by an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### ***Stamp Duty***

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

### **PRC Taxation**

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

### ***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 Notes and gain from the disposition of Notes may be subject to PRC tax. In 2009, the State Administration of Taxation issued guidance regarding the determination of the location of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises. However, it is unclear whether this guidance also reflects the State Administration of Taxation’s criteria for determining the location of the “de facto management bodies” for foreign enterprises that are not controlled by PRC enterprises (such as our Company). If we are treated as a PRC “resident enterprise,” we may be required to withhold PRC tax at a rate of 10% (or a lower treaty rate, if any) from interest payments to investors that are “non-PRC resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with the establishment or place of business, if such interest is derived from sources within the PRC. In addition, any gain realized on the transfer of the Notes by such investors would be subject to PRC income tax at the rate of 10% (or a lower treaty rate, if any) if such gain is regarded as income derived from sources within the PRC. Interest or gains earned by non-resident individuals may be subject to such PRC tax at a rate of 20%. We currently take the position that we are not a PRC resident enterprise for tax purposes. However, we cannot assure you that the tax authorities will agree with our position. We have been advised by our PRC legal advisors, Allbright Beijing Law Office, that there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and be subject to PRC tax as described above, which may materially and adversely affect the value of investment in the Notes. See “Risk Factors – Risks Relating to Doing Business in the PRC”.

### ***Value Added Tax***

On March 23, 2016, MOF and SAT issued Circular 36, which introduced a new VAT from May 1, 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services

is within PRC. 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 Notes may be treated as the holders of the Notes 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 Notes are providing loans within the PRC, or if the interest component of the amount payable by the Company to the holders of the Notes is viewed as interest income arising within the territory of the PRC, the holders of the Notes shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Notes. Given that the Company pays interest income to the holders of the Notes 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 Notes who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes 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 Notes 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 Note (for so long as the register of holders of the Notes is maintained outside the PRC as is expected to be the case).



## PLAN OF DISTRIBUTION

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

<b>Initial Purchaser</b>	<b>Principal Amount of Notes</b>
China CITIC Bank International Limited . . . . .	US\$70,000,000
Crédit Agricole Corporate and Investment Bank . . . . .	US\$55,000,000
UBS AG Hong Kong Branch . . . . .	US\$55,000,000
Barclays Bank PLC . . . . .	US\$55,000,000
Standard Chartered Bank . . . . .	US\$5,000,000
CMB International Capital Limited . . . . .	US\$5,000,000
Deutsche Bank AG, Hong Kong Branch . . . . .	US\$5,000,000
DBS Bank Ltd. . . . .	US\$5,000,000
Dragonstone Capital Management Limited . . . . .	US\$5,000,000
Flow Capital (HK) Limited . . . . .	US\$5,000,000
BG Securities (HK) Co., Limited . . . . .	US\$5,000,000
CNCB (Hong Kong) Capital Limited . . . . .	US\$5,000,000
Guotai Junan Securities (Hong Kong) Limited . . . . .	US\$5,000,000
Haitong International Securities Company Limited . . . . .	US\$5,000,000
Huatai Financial Holdings (Hong Kong) Limited . . . . .	US\$5,000,000
SunRiver International Securities Group Limited . . . . .	US\$5,000,000
TFI Securities and Futures Limited . . . . .	US\$5,000,000
<b>Total</b> . . . . .	<b>US\$300,000,000</b>

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

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

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

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

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

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

positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. The Initial Purchasers do not make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, the Initial Purchasers do not make any representation that any of them (or any other person acting for them) will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business day following the date of the pricing of the Notes. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes prior to the second business day preceding delivery of the Notes hereunder will be required, by virtue of the fact that the Notes initially settle in T+3, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes prior to the second business day preceding their date of delivery hereunder should consult their own advisors.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

The Initial Purchasers and their affiliates have in the past engaged in transactions with and performed services, including financial advisory and investment banking services, for us and our affiliates in the ordinary course of business, for which they received customary fees and expenses and they may engage in similar transactions or perform similar services for us in the future. Certain of the Initial Purchasers or their affiliates are lenders to us. See “Description of Other Material Indebtedness.” They may provide additional loans to us in the future. Furthermore, we may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution. The Initial Purchasers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Company or their respective subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes).

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.

**Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks):** This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for the offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this offering memorandum.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any “Associations” (as used in the SFC Code);
- whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: TMG\_Syndicate@cncbinternational.com, Project.Foutav2024@ca-cib.com, HKG-Syndicate@ca-cib.com, sh-asia-ccs-dcm-filing@ubs.com, barclayssfcomnibusorders-debt@barclays.com, synhk@sc.com, projectfoutav2024@cmbi.com.hk, foutav.db@list.db.com, DCMOmnibus@dbs.com, lunaliu@ds.capital, grace@flowinvestment.com, dcm@cncbinvestment.com, project.fouta@tfisec.com.

To the extent information being disclosed by CMI and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

## **Selling Restrictions**

### ***General***

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

### ***United States***

The Notes and the Subsidiary Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The Initial Purchasers, through their affiliates, acting as selling agents where applicable, propose to offer the Notes to certain persons only outside the United States in offshore transactions in reliance on Regulation S and in accordance with applicable laws.

Until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S.

## EUROPEAN ECONOMIC AREA

Each of the Initial Purchasers represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area (“**EEA**”).

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 Notes 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 Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes 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 Initial Purchasers represents, warrants and agrees that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Subsidiary Guarantors; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

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

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

- (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, “**EUWA**”); or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; and
- (iii) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

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

### ***Hong Kong***

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

### ***Singapore***

Each Initial Purchaser has acknowledged that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore (“MAS”). Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and, has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

### ***PRC***

This offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. The Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to legal

and regulatory requirements of the PRC, the Notes may, subject to the laws and regulations of the regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

***Cayman Islands***

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

***British Virgin Islands***

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

## TRANSFER RESTRICTIONS

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

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

1. You understand and acknowledge that:
  - the Securities have not been registered under the Securities Act or any other applicable securities laws;
  - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Securities are being offered and sold only outside of the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
  - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Notes in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You acknowledge that each Note will contain a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE RE-OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.



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

## **LEGAL MATTERS**

Certain legal matters with respect to the Notes will be passed upon for us by Eversheds Sutherland as to matters of Hong Kong law, Eversheds Sutherland (US) LLP as to matters of United States federal and New York law, Allbright Beijing Law Office as to matters of the PRC law and Conyers Dill & Pearman as to matters of Cayman Islands law and British Virgin Islands law. Certain legal matters will be passed upon for the Initial Purchasers by Milbank (Hong Kong) LLP as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of the PRC law.

## **INDEPENDENT ACCOUNTANTS**

Our consolidated financial statements as of and for the years ended December 31, 2020, 2021 and 2022 included in this offering memorandum have been audited by SHINEWING (HK) CPA Limited, certified public accountants as stated in their reports for each of the fiscal years ended December 31, 2021 and 2022 included herein. The interim condensed consolidated financial information as of and for the six months ended June 30, 2023 included in this offering memorandum have been reviewed by SHINEWING (HK) CPA Limited, certified public accountants, as stated in their reports appearing herein. Our consolidated financial statements as of and for the year ended December 31, 2023 included in this offering memorandum have been audited by SHINEWING (HK) CPA Limited, certified public accountants, and reproduced from the Company's annual results for the year ended December 31, 2023 included herein.

## GENERAL INFORMATION

### Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of Directors dated March 22, 2024.

### Litigation

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

### No Material Adverse Change

Except as disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve adverse change, in the condition (financial or otherwise) of our general affairs since June 30, 2023 that is material in the context of the issue of the Notes.

### Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture will be available for inspection from the Original Issue Date at all reasonable times during normal business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (except public holidays), so long as any Bond is outstanding following prior written request and proof of holding to the satisfaction of the Trustee at the principal place of business of the Trustee, being at the date of this Information Memorandum at 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, and at the specified office of the Paying Agent from time to time.

For so long as any of the Notes are outstanding, copies of our Company's audited financial statements and/or our published financial statements, if any, including the independent auditor's report set out in the section entitled "Index to Financial Statements" may be obtained during normal business hours on any weekday (except public holidays) at the principal office of the Company.

### Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
Notes.....	XS2793673083	279367308

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

### LEGAL ENTITY IDENTIFIER

The Issuer's Legal Entity Identifier (LEI) is 3003009Q4IBFSDE24571.

## **LISTING OF THE NOTES**

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Company, the Subsidiary Guarantors, the Notes or the Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Notes are listed on the SGX-ST. For so long as the Notes 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 the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2023*

	<i>Notes</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue	3	<b>133,623,632</b>	131,699,427
Cost of sales		<b><u>(112,669,035)</u></b>	<u>(113,460,127)</u>
Gross profit		<b>20,954,597</b>	18,239,300
Other income and gains	5	<b>3,713,038</b>	3,928,933
Selling and distribution expenses		<b>(755,274)</b>	(597,679)
Administrative expenses		<b>(4,952,875)</b>	(5,933,759)
Other expenses	6	<b>(945,299)</b>	(329,047)
Finance costs		<b>(3,267,938)</b>	(3,019,544)
Changes in fair values of financial instruments		<b>(49,044)</b>	(184,981)
Share of profits of associates		<b><u>1,193,259</u></b>	<u>503,335</u>
Profit before taxation		<b>15,890,464</b>	12,606,558
Income tax expenses	7	<b><u>(3,392,712)</u></b>	<u>(2,797,583)</u>
Profit for the year		<b><u><u>12,497,752</u></u></b>	<u><u>9,808,975</u></u>
Attributable to:			
Owners of the Company		<b>11,460,678</b>	8,701,953
Non-controlling interests		<b><u>1,037,074</u></b>	<u>1,107,022</u>
		<b><u><u>12,497,752</u></u></b>	<u><u>9,808,975</u></u>

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		<b>108,753</b>	356,375
Share of other comprehensive income of associates		<b>22,707</b>	177,920
		<b>131,460</b>	534,295
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income		<b>(141,210)</b>	133,253
Total comprehensive income for the year, net of income tax		<b>12,488,002</b>	10,476,523
Total comprehensive income for the year attributable to			
Owners of the Company		<b>11,422,590</b>	9,217,385
Non-controlling interests		<b>1,065,412</b>	1,259,138
		<b>12,488,002</b>	10,476,523
Earnings per share	<i>9</i>		
– Basic (RMB)		<b>1.2095</b>	0.9358
– Diluted (RMB)		<b>1.1952</b>	0.9358



**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023**

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>70,200,235</b>	68,060,299
Right-of-use assets		<b>9,675,440</b>	7,672,678
Intangible assets		<b>42,907</b>	34,291
Investment properties		<b>38,159</b>	41,046
Deposits paid for acquisition of property, plant and equipment		<b>1,045,165</b>	644,100
Deferred tax assets		<b>2,990,023</b>	2,605,197
Interests in associates		<b>11,034,432</b>	10,296,678
Loan to an associate		<b>2,000,000</b>	2,000,000
Goodwill		<b>278,224</b>	278,224
Financial asset at amortised cost		<b>2,494,000</b>	2,499,000
Financial assets at fair value through other comprehensive income		<b>1,401,378</b>	1,542,588
Financial assets at fair value through profit or loss		<b>11,725,159</b>	–
Prepayment		<b>–</b>	2,500,000
		<b><u>112,925,122</u></b>	<u>98,174,101</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>33,958,455</b>	37,267,620
Trade receivables	<i>10</i>	<b>5,488,751</b>	4,610,695
Bills receivables		<b>4,977,642</b>	5,573,175
Prepayments and other receivables		<b>8,747,804</b>	10,051,561
Other financial asset		<b>–</b>	2,122
Income tax recoverable		<b>674,610</b>	957,917
Restricted bank deposits		<b>1,826,579</b>	1,720,058
Cash and cash equivalents		<b>31,721,122</b>	27,384,542
		<b><u>87,394,963</u></b>	<u>87,567,690</u>

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <b>RMB'000</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>11</i>	<b>11,648,276</b>	14,911,002
Other payables and accruals		<b>10,603,297</b>	12,357,158
Bank borrowings – due within one year		<b>30,489,208</b>	30,533,850
Lease liabilities		<b>37,952</b>	16,161
Income tax payable		<b>2,586,352</b>	618,264
Short-term debentures and notes		<b>7,000,000</b>	3,000,000
Medium-term debentures and bonds – due within one year		<b>8,116,930</b>	8,507,112
Guaranteed notes – due within one year		<b>3,511,821</b>	1,392,893
Deferred income		<b>35,290</b>	36,684
		<b><u>74,029,126</u></b>	<u>71,373,124</u>
<b>NET CURRENT ASSETS</b>		<b><u>13,365,837</u></b>	<u>16,194,566</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>126,290,959</u></b>	<u>114,368,667</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year		<b>8,621,908</b>	4,993,909
Other financial liability		<b>2,965,195</b>	–
Lease liabilities		<b>916,706</b>	51,755
Liability component of convertible bonds – due after one year		<b>1,963,567</b>	1,830,527
Derivative component of convertible bonds – due after one year		<b>521,919</b>	457,010
Deferred tax liabilities		<b>363,704</b>	523,795
Medium-term debentures and bonds – due after one year		<b>3,206,332</b>	5,960,847
Guaranteed notes – due after one year		<b>–</b>	3,450,755
Deferred income		<b>1,475,183</b>	794,292
		<b><u>20,034,514</u></b>	<u>18,062,890</u>
<b>NET ASSETS</b>		<b><u>106,256,445</u></b>	<u>96,305,777</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>12</i>	<b>618,881</b>	618,881
Reserves		<b>91,625,797</b>	83,879,972
Equity attributable to owners of the Company		<b>92,244,678</b>	84,498,853
Non-controlling interests		<b>14,011,767</b>	11,806,924
<b>TOTAL EQUITY</b>		<b><u>106,256,445</u></b>	<u>96,305,777</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

### 1. CORPORATE INFORMATION

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

The Company acts as an investment holding company, and the principal activities of its subsidiaries (together with the Company, referred to as the “**Group**”) are set out in the annual report.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company and its subsidiaries in the People’s Republic of China (“**PRC**”) and Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”). The functional currency of subsidiaries established in Republic of Indonesia (“**Indonesia**”), Republic of Singapore and the Republic of Guinea is denoted in United States Dollar (“**US\$**”).

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

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board (the “**IASB**”) which are effective for the Group’s financial year beginning on 1 January 2023.

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

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

### ***Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies***

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group’s financial performance and positions, but has affected the disclosures of accounting policies as set out in the annual report.

### ***Impact on application of Amendments to IAS 8 – Definition of Accounting Estimates***

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

### ***Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments to IAS 12 narrow the scope of the initial recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained earnings at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

There was no impact on the consolidated statement of financial position because the related deferred tax balances qualify for offsetting under IAS 12. There was no impact on the opening retained earnings as at 1 January 2022.

### ***Impact on application of Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules***

The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (“OECD”) international tax reform. The amendments introduce (i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (ii) targeted disclosure requirements for affected entities.

The Group has applied the mandatory temporary exception from recognition and disclosure of information about deferred taxes related to Pillar Two income taxes immediately and retrospectively.

## **Amendments to IFRSs issued but not yet effective**

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

### ***Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of Amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to IFRS 10 and IAS 28 will not have a material impact on the Group's consolidated financial statements.

### ***Amendments to IAS 1 Classification of Liabilities as Current or Non-current; Amendments to IAS 1 –Non-current Liabilities with Covenants***

Amendments to IAS 1 Classification of Liabilities as Current or Non-current issued in 2020 (the "2020 Amendments") clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

Amendments to IAS 1 Non-current Liabilities with Covenants issued in 2022 (the “**2022 Amendments**”) further clarify how an entity determines the current or non-current classification of a liability when its right to defer the settlement is subject to compliance with covenants.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. However, an entity that applies the 2020 Amendments early is also required to apply the 2022 Amendments, and vice versa.

Based on the Group’s outstanding liabilities as at 31 December 2023, the application of the amendments will not result in change in the classification of the Group’s liabilities.

***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements***

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity’s exposure to concentration of liquidity risk.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

***Amendments to IAS 21 Lack of Exchangeability***

The amendments specify how to assess whether a currency is exchangeable into another currency and, when it is not, how to determine the exchange rate to use and the disclosures to provide.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

### 3. REVENUE

An analysis of the Group's revenue were recognised at a point in time as follows:

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	<b>83,750,044</b>	85,833,912
– aluminum alloy ingots	<b>10,890,825</b>	10,393,059
– aluminum fabrication	<b>11,500,388</b>	13,302,321
– alumina	<b>26,557,457</b>	21,404,782
Steam supply income	<b>924,918</b>	765,353
	<b><u>133,623,632</u></b>	<u>131,699,427</u>

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<i>Geographical region</i>		
The PRC	<b>126,397,054</b>	123,249,928
India	<b>2,412,216</b>	1,119,007
Europe	<b>2,255,909</b>	3,133,262
Malaysia	<b>421,062</b>	256,487
Other Southeast Asia region	<b>1,295,061</b>	1,483,309
North America	<b>596,995</b>	1,863,564
Others	<b>245,335</b>	593,870
Total	<b><u>133,623,632</u></b>	<u>131,699,427</u>
<i>Type of customers</i>		
Government related	<b>289</b>	274
Non-government related	<b>133,623,343</b>	131,699,153
Total	<b><u>133,623,632</u></b>	<u>131,699,427</u>
<i>Sales channels</i>		
Direct sales	<b><u>133,623,632</u></b>	<u>131,699,427</u>

#### 4. SEGMENT INFORMATION

For management purposes, the Group operates only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in the PRC (including Hong Kong) and Indonesia. Management monitors the operating results of its business unit as a whole for the purpose of making decisions about resources allocation and performance assessment.

##### Geographical information

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

	Non-current assets	
	2023	2022
	RMB'000	RMB'000
PRC	85,721,885	82,565,449
Indonesia	6,592,677	6,961,867
	<u>92,314,562</u>	<u>89,527,316</u>

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

##### Information about major customers

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

	2023	2022
	RMB'000	RMB'000
Customer A	<u>45,121,545</u>	<u>50,042,829</u>



## 5. OTHER INCOME AND GAINS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank interest income	307,644	193,141
Other interest income	216,382	208,420
Investment income	153,673	142,846
Interest income from loans to associates	345,792	156,614
Gain from sales of raw materials and scraps materials	1,071,479	1,351,888
Gain from sales of slag of carbon anode blocks	1,361,216	1,640,424
Reversal of write-down of inventories	8,195	20,417
Reversal of impairment of other receivables	3,603	–
Reversal of impairment of trade receivables	–	1,223
Amortisation of deferred income	44,898	47,910
Rental income for investment properties under operating lease that lease payments are fixed	600	600
Gain on disposal of an associate	21,053	–
Gain on disposal of property, plant and equipment	69,939	22,783
Gain on bargain purchase	–	20,522
Others	108,564	122,145
	<u>3,713,038</u>	<u>3,928,933</u>

## 6. OTHER EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Impairment loss recognised in respect of property, plant and equipment	805,162	224,838
Impairment loss recognised in respect of right-of-use assets	13,235	–
Impairment loss recognised in respect of other receivables	–	82
Impairment loss recognised in respect of trade receivables	620	–
Write-down of inventories	126,282	104,127
	<u>945,299</u>	<u>329,047</u>

## 7. INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax:		
– PRC Enterprise Income Tax	3,715,079	2,879,599
– Indonesia Corporate Income Tax	202,718	162,180
– Withholding tax	19,832	47,018
	<u>3,937,629</u>	<u>3,088,797</u>
Deferred taxation	<u>(544,917)</u>	<u>(291,214)</u>
Total income tax expenses for the year	<u><u>3,392,712</u></u>	<u><u>2,797,583</u></u>

## 8. DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Dividends recognised as distribution during the year:		
2023 Interim dividend – HK12 cents (2022: 2022 interim dividend HK41 cents) per share	1,028,382	3,513,331
2023 Interim special dividend – HK22 cents (2022: nil) per share	1,885,366	–
2022 Final dividend – HK10 cents (2022: 2021 final dividend HK60 cents) per share	872,364	4,712,320
	<u><u>3,786,112</u></u>	<u><u>8,225,651</u></u>

Subsequent to the end of the reporting period, a final dividend of HK29 cents per share in respect of the year ended 31 December 2023, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

## 9. EARNINGS PER SHARE

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<b>11,460,678</b>	8,701,953
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	<b>182,338</b>	–
Changes in fair values of derivative component of convertible bonds	<b>49,044</b>	–
Exchange loss on translation of convertible bonds	<b>21,380</b>	–
	<u>11,713,440</u>	<u>8,701,953</u>
Earnings for the purpose of diluted earnings per share	<b>11,713,440</b>	8,701,953
	<b>2023</b>	2022
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>9,475,538</b>	9,299,172
Effect of dilutive potential ordinary shares:		
Convertible bonds	<b>325,169</b>	–
	<u>9,800,707</u>	<u>9,299,172</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>9,800,707</b>	9,299,172

The computation of diluted earnings per share for the year ended 31 December 2022 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

## 10. TRADE RECEIVABLES

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>5,496,090</b>	4,617,414
Less: allowance for impairment losses	<b>(7,339)</b>	(6,719)
	<u>5,488,751</u>	<u>4,610,695</u>

As at 1 January 2022, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB7,292,695,000.

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

	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Within 3 months	<b>4,883,108</b>	4,009,740
3 to 12 months	<b>601,815</b>	597,180
12 to 24 months	<b>3,828</b>	3,775
	<u><b>5,488,751</b></u>	<u>4,610,695</u>

#### 11. TRADE AND BILLS PAYABLES

	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Trade payables to third parties	<b>10,764,251</b>	10,166,118
Trade payables to associates	<b>648,596</b>	2,457,710
Trade payables to related parties	<b>103,167</b>	70,003
	<u><b>11,516,014</b></u>	<u>12,693,831</u>
Bills payables	<b>132,262</b>	2,217,171
	<u><b>11,648,276</b></u>	<u>14,911,002</u>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period;

	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
Within 6 months	<b>10,856,474</b>	11,980,729
6 to 12 months	<b>400,421</b>	443,244
1 to 2 years	<b>229,088</b>	235,369
More than 2 years	<b>30,031</b>	34,489
	<u><b>11,516,014</b></u>	<u>12,693,831</u>

## 12. SHARE CAPITAL

	Number of shares		Share Capital	
	2023	2022	2023 US\$	2022 US\$
<b>Authorised:</b>				
Ordinary shares of US\$0.01 each	<u>20,000,000,000</u>	<u>20,000,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
	2023	2022	2023 US\$	2022 US\$
<b>Issued and fully paid:</b>				
Ordinary shares of US\$0.01 each	<u>9,475,538,425</u>	<u>9,475,538,425</u>	<u>94,755,384</u>	<u>94,755,384</u>
			Number of shares	Share Capital RMB'000
<b>Issued and fully paid:</b>				
At 1 January 2022			9,121,352,349	595,139
Issue of shares upon conversion of 2017 Convertible Bonds (“CBs”) (note (i))			<u>354,186,076</u>	<u>23,742</u>
At 31 December 2022 and 31 December 2023			<u>9,475,538,425</u>	<u>618,881</u>

*Note:*

- (i) During the year ended 31 December 2022, 2017 CBs with principal amounts of US\$92,800,000, US\$55,000,000 and US\$98,600,000 was converted into 141,482,916, 79,513,123 and 133,190,037 ordinary shares of the Company at par at the conversion price of HK\$5.13, HK\$5.41 and HK\$5.79 per ordinary share, respectively.

The Company does not have any share option scheme.

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

None of the Company’s subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the year (2022: nil).

## 13. EVENT AFTER THE REPORTING PERIOD

As set out in the announcement of the Company dated 6 March 2024, the Group entered into the mine guarantee agreement and infrastructure guarantee agreement with its associates to support the mine projects in Simandou, Guinea.

As set out in the announcement of the Company dated 15 March 2024, the Group entered into sale and purchase agreement with non controlling interests to acquire an additional 4.04% issued shares of Shandong Hongqiao New Material Co., Ltd.

# Report on Review of Interim Condensed Consolidated Financial Information



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香港銅鑼灣告士打道311號  
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## 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 24 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) require the preparation of a report on interim condensed financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information are not prepared, in all material respects, in accordance with IAS 34.

### SHINEWING (HK) CPA Limited

*Certified Public Accountants*

### Kwan Chi Fung

Practising Certificate Number: P06614

Hong Kong  
18 August 2023

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Revenue</b>	4	<b>65,733,870</b>	68,738,652
Cost of sales		<b>(59,841,506)</b>	(53,783,465)
Gross profit		<b>5,892,364</b>	14,955,187
Other income and gains	5	<b>1,658,719</b>	1,606,697
Selling and distribution expenses		<b>(304,140)</b>	(301,894)
Administrative expenses		<b>(2,808,009)</b>	(3,060,161)
Other expenses	6	<b>(89,388)</b>	(197,355)
Finance costs	8	<b>(1,474,674)</b>	(1,651,885)
Changes in fair value of financial instruments	21	<b>14,393</b>	(346,843)
Share of profits of associates		<b>954,433</b>	226,849
<b>Profit before taxation</b>		<b>3,843,698</b>	11,230,595
Income tax expense	7	<b>(871,674)</b>	(2,545,319)
<b>Profit for the period</b>	8	<b>2,972,024</b>	8,685,276
<b>Profit for the period attributable to:</b>			
Owners of the Company		<b>2,456,623</b>	7,846,289
Non-controlling interests		<b>515,401</b>	838,987
		<b>2,972,024</b>	8,685,276
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>322,388</b>	209,952
Share of other comprehensive income of associates		<b>41,517</b>	160,548
Other comprehensive income for the period		<b>363,905</b>	370,500
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		<b>(37,127)</b>	(83,260)
Total comprehensive income for the period, net of income tax		<b>3,298,802</b>	8,972,516
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		<b>2,711,605</b>	8,051,588
Non-controlling interests		<b>587,197</b>	920,928
		<b>3,298,802</b>	8,972,516
<b>Earnings per share</b>	10		
– Basic (RMB)		<b>0.259</b>	0.850
– Diluted (RMB)		<b>0.259</b>	0.850

## Condensed Consolidated Statement of Financial Position

At 30 June 2023

		As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	66,282,375	68,060,299
Right-of-use assets	12	8,789,307	7,672,678
Intangible assets		33,289	34,291
Investment properties		44,375	41,046
Deposits paid for acquisition of property, plant and equipment		670,021	644,100
Deferred tax assets		2,348,161	2,605,197
Interests in associates	13	12,207,916	10,296,678
Loan to an associate		2,000,000	2,000,000
Goodwill	14	278,224	278,224
Financial asset at amortised cost	28	2,494,000	2,499,000
Other financial assets	15	6,505,461	1,542,588
Prepayment	19	–	2,500,000
		<b>101,653,129</b>	<b>98,174,101</b>
<b>CURRENT ASSETS</b>			
Inventories	16	35,846,442	37,267,620
Trade receivables	17	5,074,829	4,610,695
Bills receivables	18	5,263,543	5,573,175
Prepayments and other receivables	19	8,341,954	10,051,561
Other financial asset	15	–	2,122
Income tax recoverable		1,551,087	957,917
Restricted bank deposits	20	1,850,630	1,720,058
Cash and cash equivalents	20	29,776,735	27,384,542
		<b>87,705,220</b>	<b>87,567,690</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	22	13,046,357	14,911,002
Other payables and accruals		11,061,702	12,357,158
Bank borrowings – due within one year	23	25,785,967	30,533,850
Lease liabilities	12	38,491	16,161
Income tax payable		481,365	618,264
Short-term debentures and notes	24	6,000,000	3,000,000
Medium-term debentures and bonds – due within one year	25	13,019,778	8,507,112
Guaranteed notes – due within one year	26	3,582,330	1,392,893
Deferred income		17,877	36,684
		<b>73,033,867</b>	<b>71,373,124</b>



# Condensed Consolidated Statement of Financial Position

At 30 June 2023

	<i>Notes</i>	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	<b>As at 31 December 2022 RMB'000 (Audited)</b>
<b>NET CURRENT ASSETS</b>		<b>14,671,353</b>	16,194,566
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>116,324,482</b>	114,368,667
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year	<i>23</i>	<b>10,567,168</b>	4,993,909
Lease liabilities	<i>12</i>	<b>588,254</b>	51,755
Liability component of convertible bonds – due after one year	<i>27</i>	<b>1,961,385</b>	1,830,527
Derivatives component of convertible bonds – due after one year	<i>27</i>	<b>465,045</b>	457,010
Deferred tax liabilities		<b>420,347</b>	523,795
Medium-term debentures and bonds – due after one year	<i>25</i>	<b>2,889,807</b>	5,960,847
Guaranteed notes – due after one year	<i>26</i>	<b>–</b>	3,450,755
Deferred income		<b>819,018</b>	794,292
		<b>17,711,024</b>	18,062,890
<b>NET ASSETS</b>		<b>98,613,458</b>	96,305,777
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>29</i>	<b>618,881</b>	618,881
Reserves	<i>30</i>	<b>85,719,213</b>	83,879,972
Equity attributable to owners of the Company		<b>86,338,094</b>	84,498,853
Non-controlling interests		<b>12,275,364</b>	11,806,924
<b>TOTAL EQUITY</b>		<b>98,613,458</b>	96,305,777

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 30)	Capital reserve RMB'000 (Note 30)	Translation reserve RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023 (Audited)	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777
Profit for the period	-	-	-	-	-	-	2,456,623	2,456,623	515,401	2,972,024
<i>Other comprehensive (expense) income for the period:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(37,127)	-	-	-	-	(37,127)	-	(37,127)
Exchange differences on translation of foreign operations	-	-	-	-	250,592	-	-	250,592	71,796	322,388
Share of other comprehensive income of associates	-	-	-	-	41,517	-	-	41,517	-	41,517
Total comprehensive (expense) income for the period	-	-	(37,127)	-	292,109	-	2,456,623	2,711,605	587,197	3,298,802
Capital contribution	-	-	-	-	-	-	-	-	2,000	2,000
Dividend paid (note 9)	-	-	-	-	-	-	(872,364)	(872,364)	-	(872,364)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(120,757)	(120,757)
	-	-	-	-	-	-	(872,364)	(872,364)	(118,757)	(991,121)
At 30 June 2023 (Unaudited)	618,881	25,040,832	(756,898)	217,699	615,420	16,304,187	44,297,973	86,338,094	12,275,364	98,613,458

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 30)	Capital reserve RMB'000 (Note 30)	Translation reserve RMB'000 (Note 30)	Statutory surplus reserve RMB'000 (Note 30)	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022 (Audited)	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829
Profit for the period	-	-	-	-	-	-	7,846,289	7,846,289	838,987	8,685,276
<i>Other comprehensive (expense) income for the period:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(83,260)	-	-	-	-	(83,260)	-	(83,260)
Exchange differences on translation of foreign operations	-	-	-	-	128,011	-	-	128,011	81,941	209,952
Share of other comprehensive income of associates	-	-	-	-	160,548	-	-	160,548	-	160,548
Total comprehensive (expense) income for the period	-	-	(83,260)	-	288,559	-	7,846,289	8,051,588	920,928	8,972,516
Issue of shares upon conversion of convertible bonds (note 27)	13,786	1,311,173	-	-	-	-	-	1,324,959	-	1,324,959
Capital contribution	-	-	-	-	-	-	-	-	118,270	118,270
Share of capital reserve of an associate	-	-	-	(28)	-	-	-	(28)	-	(28)
Change in ownership in interest in subsidiaries	-	-	-	(57,650)	-	-	-	(57,650)	(178,850)	(236,500)
Transfer to non-controlling interests	-	-	-	3,099	-	-	-	3,099	(3,099)	-
Dividend paid (note 9)	-	-	-	-	-	-	(4,712,320)	(4,712,320)	(308,605)	(5,020,925)
	13,786	1,311,173	-	(54,579)	-	-	(4,712,320)	(3,441,940)	(372,284)	(3,814,224)
At 30 June 2022 (Unaudited)	608,925	24,144,540	(936,284)	195,003	229,691	14,951,045	46,724,523	85,917,443	11,679,678	97,597,121

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

For the six months ended 30 June

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Cash generated from operations	8,535,176	13,186,562
Income tax paid	(1,448,155)	(3,502,429)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>7,087,021</b>	9,684,133
<b>INVESTING ACTIVITIES</b>		
Purchase of other financial assets	(2,500,000)	–
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment	(2,775,999)	(2,728,267)
Placement of restricted bank deposits	(2,644,724)	(632,323)
Purchases of financial assets at amortised cost	(2,494,000)	–
Capital injection to associates	(694,000)	(63,000)
Addition to right-of-use assets	(626,560)	(772,429)
Addition and prepayment for acquisition of intangible assets	(1,821)	(5,765)
Proceeds from disposal of other financial asset	2,122	–
Proceeds from disposal of property, plant and equipment	205,660	393,085
Interest received	455,886	347,305
Proceeds from disposal of financial assets at amortised cost	2,499,000	–
Withdrawal of restricted bank deposits	2,514,152	545,801
Advance to an associate	–	(335,570)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,060,284)</b>	(3,251,163)

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>FINANCING ACTIVITIES</b>		
New bank borrowings	16,549,775	8,611,274
Proceeds from issuance of short-term debentures and notes	3,000,000	–
Proceeds from issuance of medium-term debentures and bonds	1,900,000	3,000,000
Receipt of government grants	25,809	16,654
Contribution from non-controlling interests	2,000	118,270
Acquisition of additional interest in subsidiary	–	(236,500)
Transaction costs on issue of short-term debentures and notes	(9,000)	–
Transaction costs on issuance of medium-term debentures and bonds	(11,400)	(18,000)
Payment of lease liabilities	(42,719)	(9,905)
Dividend paid to non-controlling interests	(120,762)	(308,605)
Repayment of medium-term bonds	(500,000)	(3,000,214)
Dividend paid	(872,364)	(4,712,321)
Interest expenses paid	(1,423,545)	(1,596,965)
Redemption of guaranteed notes	(1,436,432)	–
Repayment of bank borrowings	(15,846,157)	(8,399,620)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>1,215,205</b>	<b>(6,535,932)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,241,942</b>	<b>(102,962)</b>
Effect of changes in foreign exchange rates	150,251	98,641
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>27,384,542</b>	<b>49,227,282</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		
represented by bank balances and cash	29,776,735	49,222,961

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 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 the Republic of Indonesia (“**Indonesia**”) is denoted in Indonesia Rupiah (“**IDR**”) and the functional currency of subsidiaries established in the Republic of 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 2023 have been prepared in accordance with International Accounting Standard 34 (“**IAS 34**”) “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. This interim condensed consolidated financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022, 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 2022, except as disclosed below.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2023:

IFRS 17 and related amendments	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

Except as described below, the application of the new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial information.

### Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the interim condensed consolidated financial information of the Group as they are relevant to disclosures of accounting policies in complete financial statements rather than interim financial information. The amendments are expected to affect the accounting policy disclosures in the Group's annual financial statements for the year ending 31 December 2023.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Impact on application of Amendments to IAS 8 – Definition of Accounting Estimates

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the interim condensed consolidated financial information of the Group.

### Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

There was no impact on the condensed consolidated statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was no impact on the opening retained earnings as at 1 January 2022. The key impact for the Groups related to the disclosure of deferred tax assets and liabilities recognised, and the relevant disclosure will be provided in the Group's annual financial statements.

### Impact on application of Amendments to IAS 12 – International Tax Reform – Pillar Two Model Rules

In May 2023, the IASB has issued amendments to IAS 12 Income Taxes – International Tax Reform – *Pillar Two Model Rules*. The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform. The amendments introduce (i) a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and (ii) targeted disclosure requirements for affected entities.

The Group applied the mandatory temporary exception from recognition and disclosure of information about deferred taxes related to Pillar Two income taxes, and the requirement to disclose the application of the exception immediately and retrospectively upon issue of the amendments. The remaining disclosure requirements are required for annual reporting periods beginning on or after 1 January 2023 but are not required for the current interim period.



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 4. REVENUE

An analysis of the Group's revenue is recognised at a point of time as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from sales of aluminum products		
– molten aluminum alloy	40,359,290	44,912,495
– aluminum alloy ingot	5,619,977	5,548,575
– aluminum fabrication	5,644,526	7,087,062
– alumina products	13,531,809	10,706,214
Steam supply income	578,268	484,306
	<b>65,733,870</b>	68,738,652

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Geographical region</i>		
The PRC	62,456,431	64,453,287
India	926,023	621,468
Europe	1,291,302	1,369,673
Malaysia	118,937	70,829
Other Southeast Asia region	259,154	1,070,580
North America	517,060	901,689
Others	164,963	251,126
Total	<b>65,733,870</b>	68,738,652
<i>Type of customers</i>		
Government related	192	221
Non-government related	65,733,678	68,738,431
Total	<b>65,733,870</b>	68,738,652

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Amortisation of deferred income	19,890	25,462
Bank interest income	96,695	63,755
Investment income	70,805	72,232
Interest income from associates	113,956	58,525
Other interest income	171,338	155,228
Rental income for investment properties under operating lease	300	300
Gain from sales of raw materials and scraps materials	516,606	474,298
Gain from sales of slag of carbon anode blocks	601,310	655,073
Gain on disposal of property, plant and equipment	63,146	74,814
Reversal of impairment of trade receivables	–	1,161
Reversal of impairment of other receivables	–	3,635
Reversal of write-down of inventories	–	17,616
Others	4,673	4,598
	<b>1,658,719</b>	1,606,697

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 6. OTHER EXPENSES

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss recognised in respect of trade receivables	477	–
Impairment loss recognised in respect of other receivables	11,033	–
Impairment loss recognised in respect of property, plant and equipment	–	112,874
Write-down of inventories to net realisable value	77,878	84,481
	<b>89,388</b>	197,355

### 7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	–	–
– Indonesia Corporate Tax	124,776	120,613
– PRC Enterprise Income Tax	593,310	3,061,227
– Withholding tax paid	–	30,067
	<b>718,086</b>	3,211,907
Deferred taxation	153,588	(666,588)
Total income tax expense for the period	<b>871,674</b>	2,545,319

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest expenses on bank borrowings	1,081,620	996,821
Interest expenses on short-term debentures and notes	36,203	29,902
Interest expenses on medium-term debentures and bonds	215,836	254,301
Interest expenses on guaranteed notes	136,184	221,802
Interest expenses on convertible bonds	94,554	147,574
Interest expenses on lease liabilities	11,850	1,485
Total interest expense for financial liabilities not measured at FVTPL	1,576,247	1,651,885
Less: amounts capitalised in the cost of qualifying assets	(101,573)	–
	1,474,674	1,651,885
Amortisation of intangible assets	2,823	2,713
Cost of inventories recognised as an expense	59,841,506	53,783,465
Depreciation of property, plant and equipment	3,483,019	2,968,332
Depreciation of investment properties	1,456	79
Depreciation of right-of-use assets	112,235	93,555
Foreign exchange loss, net	354,012	753,495
Research and development expenses (note)	1,031,524	953,942
Gross rental income from investment properties	300	300
Less: direct operating expenses incurred for investment properties that generated rental income during the period	–	–
	300	300

Note: Included in research and development expenses was staff cost of approximately RMB160,727,000 (six months ended 30 June 2022: RMB125,930,000).

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 9. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends recognised as distribution during the period:		
2022 Final dividend – HK10 cents (2022: 2021 Final dividend – HK60 cents)	<b>872,364</b>	4,712,320

During the six months ended 30 June 2023, a final dividend of HK10 cents per share in respect of the year ended 31 December 2022 (2022: a final dividend of HK60 cents per share in respect of the year ended 31 December 2021) has been approved and paid.

Subsequent to the end of the reporting period, the directors of the Company have determined that an interim dividend of HK12 cents per share and a special dividend of HK22 cents per share, amounting to approximately HK\$3,221,683,000 in total will be paid. The amount of interim dividend and special dividend declared, which was calculated based on the number of ordinary shares in issue at the date of approval of the interim condensed consolidated financial information, has not been recognised as a liability in the interim condensed consolidated financial information.

## 10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<b>2,456,623</b>	7,846,289
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	–	–
Changes in fair values of derivatives component of convertible bonds	–	–
Exchange loss on translation of liability component of convertible bonds	–	–
Earnings for the purpose of diluted earnings per share	<b>2,456,623</b>	7,846,289

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 10. EARNINGS PER SHARE (Continued)

	Six months ended 30 June	
	2023 '000 (Unaudited)	2022 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>9,475,538</b>	9,227,753
Effect of dilutive potential ordinary shares:		
Convertible bonds	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>9,475,538</b>	9,227,753

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 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 2023, the Group purchased property, plant and equipment of approximately RMB200,749,000 (six months ended 30 June 2022: RMB618,497,000), and disposed plant and machinery and motor vehicles with carrying amount of approximately RMB142,514,000 (six months ended 30 June 2022: RMB318,271,000).

During the six months ended 30 June 2023, the Group also spent approximately RMB1,485,397,000 (six months ended 30 June 2022: RMB2,103,755,000) on the construction of its new product lines and plant.

The depreciation of the Group for the six months ended 30 June 2023 is approximately RMB3,483,019,000 (six months ended 30 June 2022: RMB2,968,332,000).

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each cash generating unit ("CGU"). The CGU is an individual plant. The carrying values of these individual plants 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 comparison approach is used to measure the fair values less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 11. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the six months ended 30 June 2022, due to certain new local incentive policy launched, the directors of the Company conducted a study and further relocated certain manufacturing plants to enjoy such benefits. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets that subject to the relocation plan were impaired to their recoverable amount of approximately RMB2,729,367,000, which was their carrying values at period end and the impairment of RMB112,874,000 had been recognised in profit or loss within the relevant functions to which these assets related during the six months ended 30 June 2022.

The valuation carried out on 30 June 2022 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.

No impairment loss was recognised for property, plant and equipment for the six months ended 30 June 2023 as there is no impairment indicator identified at the reporting period end.

At 30 June 2023, certain of the Group’s buildings with a net carrying amount of approximately RMB11,524,906,000 (31 December 2022: RMB12,069,053,000) were pledged to secure bank borrowings of the Group (note 32).

There are properties with a carrying amount of approximately RMB5,167,449,000 (31 December 2022: RMB6,121,762,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

## 12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (i) Right-of-use assets

As at 30 June 2023, right-of-use assets of approximately RMB8,706,134,000 (31 December 2022: RMB7,608,160,000) 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 2023, the Group purchased land use rights located in the PRC of approximately RMB1,210,749,000 (six months ended 30 June 2022: RMB772,429,000).

As at 30 June 2023, the Group is still in the process of obtaining the land certificate with the carrying amount of approximately RMB331,790,000 (31 December 2022: RMB1,300,343,000). In the opinion of the directors of the Company, based on the advice from the Group’s external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group also recognised right-of-use assets for its lease arrangements for office premises and factories and vessels of approximately RMB71,019,000 and RMB12,154,000 (31 December 2022: RMB49,583,000 and RMB14,935,000), respectively. The lease terms are generally ranged from 2 to 20 years.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

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

### (i) Right-of-use assets (Continued)

During the six months ended 30 June 2023, the Group entered into a number of new lease agreements for office premises and land use rights and recognised right-of-use assets of approximately RMB15,821,000 and RMB584,189,000 (six months ended 30 June 2022: vessels of approximately RMB22,790,000) respectively.

At 30 June 2023, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB550,663,000 (31 December 2022: RMB556,345,000) were pledged to secure bank borrowings of the Group (note 32).

### (ii) Lease liabilities

As at 30 June 2023, the carrying amount of lease liabilities was approximately RMB626,745,000 (31 December 2022: RMB67,916,000).

During the six months ended 30 June 2023, the Group entered into new lease agreements for office premises and land use rights and recognised lease liabilities of approximately RMB15,821,000 and RMB584,189,000 (six months ended 30 June 2022: vessels of approximately RMB22,790,000), respectively.

### (iii) Amount recognised in profit or loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of right-of-use assets	112,235	93,555
Interest expense on lease liabilities	11,850	1,485

### (iv) Other

During the six months ended 30 June 2023, the total cash outflow for leases (excluded payments on purchase of land use rights) amounted to approximately RMB54,569,000 (six months ended 30 June 2022: RMB11,390,000).



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 13. INTERESTS IN ASSOCIATES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Costs of investments in associates	6,448,374	5,754,374
Share of profits and other comprehensive income, net of dividends received	3,880,834	2,731,508
	<b>10,329,208</b>	8,485,882
Loan to associates	1,878,708	1,810,796
	<b>12,207,916</b>	10,296,678

The loan to associates of US\$110,000,000, equivalent to approximately RMB794,838,000 (31 December 2022: US\$110,000,000, equivalent to approximately RMB766,106,000) is unsecured, interest-free and no fixed term for repayment.

The remaining loan to associates of US\$150,000,000, equivalent to approximately RMB1,083,870,000 (31 December 2022: US\$150,000,000, equivalent to approximately RMB1,044,690,000) is unsecured, interest bearing at London Interbank Offered Rate ("LIBOR") + 5% and no fixed term for repayment.

During the six months ended 30 June 2023, the Group established an associate and made additional contribution to an existing associate with an amount of approximately RMB672,000,000 (six months ended 30 June 2022: nil) and RMB22,000,000 (six months ended 30 June 2022: RMB63,000,000) respectively.

The Group's payable balances with the associates are disclosed in note 35.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 14. GOODWILL

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	<b>As at 31 December 2022 RMB'000 (Audited)</b>
<b>Cost</b>		
At beginning and at the end of the financial period/year	<b>1,934,457</b>	1,934,457
<b>Impairment</b>		
At beginning and at the end of the financial period/year	<b>1,656,233</b>	1,656,233
<b>Carrying amount</b>		
At the end of the financial period/year	<b>278,224</b>	278,224

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

No impairment loss has been recognised during the six months ended 30 June 2023 and year ended 31 December 2022.

## 15. OTHER FINANCIAL ASSETS

The fair value measurement of these investments is disclosed in note 31.

As at 30 June 2023, the Group invested in two limited partnerships with a total amount of RMB5,000,000,000. Part of the investment cost of RMB2,500,000,000, was being transferred from prepayment made in 2022. The principal activities of above investees are investment in renewable energy industries.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 16. INVENTORIES

At 30 June 2023, the carrying amounts of the Group's inventories were net of provision of impairment of approximately RMB35,846,442,000 (31 December 2022: RMB37,267,620,000).

During the period, write-down of inventories of approximately RMB77,878,000 (six months ended 30 June 2022: RMB84,481,000) has been recognised and included in other expenses and reversal of provision of approximately RMB nil (six months ended 30 June 2022: RMB17,616,000) has been recognised and included in other income and gains due to increase of net realisable value of certain inventories in subsequent period.

During the six months ended 30 June 2023, inventories previously impaired were sold or used. As a result, a reversal of provision of approximately RMB112,917,000 (six months ended 30 June 2022: nil) has been recognised and included in cost of sales.

### 17. TRADE RECEIVABLES

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	<b>5,082,025</b>	4,617,414
Less: allowance for impairment loss	<b>(7,196)</b>	(6,719)
	<b>5,074,829</b>	4,610,695

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

	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Within 3 months	<b>4,390,276</b>	4,009,740
3 to 12 months	<b>677,748</b>	597,180
12 to 24 months	<b>4,185</b>	3,775
24 to 36 months	<b>2,620</b>	–
	<b>5,074,829</b>	4,610,695

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 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:

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within 3 months	<b>3,195,941</b>	3,465,918
3 to 6 months	<b>2,018,172</b>	2,007,257
Over 6 months	<b>49,430</b>	100,000
	<b>5,263,543</b>	5,573,175

### 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.

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	<b>3,845,133</b>	4,733,415
Carrying amount of trade payables	<b>(3,845,133)</b>	(4,733,415)
Net position	<b>-</b>	-

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.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 19. PREPAYMENTS AND OTHER RECEIVABLES

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

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Prepayments to suppliers	<b>4,764,036</b>	5,649,621
Prepayment to an associate	<b>562,889</b>	661,035
Value-added tax recoverable	<b>2,225,419</b>	2,968,063
Prepayment for capital injection to the partnership (note)	<b>–</b>	2,500,000
Other receivables	<b>827,663</b>	799,862
	<b>8,380,007</b>	12,578,581
Less: allowance for impairment loss	<b>(38,053)</b>	(27,020)
	<b>8,341,954</b>	12,551,561
Analysed as		
Current	<b>8,341,954</b>	10,051,561
Non-current	<b>–</b>	2,500,000
	<b>8,341,954</b>	12,551,561

Note: As at 31 December 2022, the Group has subscribed 48.92% interest in Binzhou Wenxian Huaxin Enterprise Management Partnership (Limited Partnership)\* 濱州文賢華鑫企業管理合夥企業 (有限合夥). The subscription of the partnership was completed on 29 January 2023 and reclassified to other financial assets.

\* The English translation is for reference only.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 20. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

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

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Cash and bank balances	<b>29,776,735</b>	27,384,542
Restricted bank deposits	<b>1,850,630</b>	1,720,058
	<b>31,627,365</b>	29,104,600
Less:		
Restricted bank deposits:		
– pledged for bills payables	<b>(1,007,300)</b>	(1,293,305)
– pledged for issuance of letter of credit	<b>(366,148)</b>	(349,210)
– pledged for guarantee issued	<b>(477,182)</b>	(77,543)
Cash and cash equivalents	<b>29,776,735</b>	27,384,542

### 21. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Changes in fair values arising from:		
– capped forward contract	–	2,456
– interest rate swap contract	–	4,049
– derivatives component of convertible bonds (note 27)	<b>14,393</b>	(353,348)
	<b>14,393</b>	(346,843)

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 22. TRADE AND BILLS PAYABLES

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Trade payables	<b>10,925,409</b>	12,693,831
Bills payables	<b>2,120,948</b>	2,217,171
	<b>13,046,357</b>	14,911,002

Included in trade payables are creditors with the following ageing analysis presented based on the invoice date at the end of the reporting period:

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within 6 months	<b>9,450,699</b>	11,980,729
6 to 12 months	<b>1,168,921</b>	443,244
1 to 2 years	<b>213,456</b>	235,369
More than 2 years	<b>92,333</b>	34,489
	<b>10,925,409</b>	12,693,831

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

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 23. BANK BORROWINGS

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
<b>Current</b>		
Secured bank borrowings	<b>4,282,960</b>	7,990,204
Unsecured bank borrowings	<b>21,503,007</b>	22,543,646
	<b>25,785,967</b>	30,533,850
<b>Non-current</b>		
Secured bank borrowings	<b>5,188,374</b>	842,748
Unsecured bank borrowings	<b>5,378,794</b>	4,151,161
	<b>10,567,168</b>	4,993,909
	<b>36,353,135</b>	35,527,759

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

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>25,785,967</b>	30,033,851
In the second year	<b>6,695,630</b>	2,574,570
In the third to fifth years, inclusive	<b>3,871,538</b>	940,000
Over fifth years	–	1,979,338
	<b>36,353,135</b>	35,527,759

Fixed-rate borrowings with an aggregate carrying amount of approximately RMB18,990,363,000 (31 December 2022: RMB25,178,310,000) denominated in RMB at interest rate ranged from 4.10% to 7.70% (31 December 2022: 1.53% to 5.67%) per annum as at 30 June 2023.

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

Bank borrowings of approximately RMB4,837,140,000 (31 December 2022: RMB4,689,242,000) are guaranteed by related parties and set out in note 35(c).



## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 24. SHORT-TERM DEBENTURES AND NOTES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Short-term debentures and notes	<b>6,000,000</b>	3,000,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 30 June 2023 and 31 December 2022 are set out as follows:

Debentures	Date of issue	Principal amount		Interest rate	Date of maturity
		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)		
Short-term debentures C	22 July 2022	<b>1,000,000</b>	1,000,000	3.55%	22 July 2023
Short-term debentures D	19 August 2022	<b>1,000,000</b>	1,000,000	3.47%	19 August 2023
Short-term debentures E	23 September 2022	<b>1,000,000</b>	1,000,000	3.69%	23 September 2023
Short-term debentures F	16 February 2023	<b>1,000,000</b>	–	4.60%	16 February 2024
Short-term debentures G	10 March 2023	<b>1,000,000</b>	–	4.50%	10 March 2024
Short-term debentures H	24 May 2023	<b>1,000,000</b>	–	4.18%	24 May 2024

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 25. MEDIUM-TERM DEBENTURES AND BONDS

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Medium-term debentures and bonds – due within one year	13,019,778	8,507,112
Medium-term debentures and bonds – due after one year	2,889,807	5,960,847
	<b>15,909,585</b>	14,467,959

The details of the unsecured, medium-term debentures and bonds issued and outstanding as at 30 June 2023 and 31 December 2022 are set out as follows:

Debentures	Date of issue	Principal amount		Coupon interest rate	Effective interest rate	Date of maturity
		30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)			
<b>Unlisted</b>						
Medium-term debentures Q	14 January 2022	1,000,000	1,000,000	4.50%	4.80%	14 January 2024
Medium-term debentures R	18 March 2022	1,000,000	1,000,000	4.50%	4.80%	18 March 2024
Medium-term debentures S	30 March 2023	300,000	–	4.82%	4.82%	30 March 2025
Medium-term debentures T	13 April 2023	1,000,000	–	4.96%	4.82%	13 April 2025
Medium-term debentures U	16 June 2023	600,000	–	5.00%	4.82%	16 June 2025
<b>Listed</b>						
Enterprise bonds K	17 October 2016	5,521,045	5,521,045	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds M	11 June 2021	–	500,000	4.90%	5.05%	11 June 2023
Enterprise bonds N	11 June 2021	500,000	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	1,000,000	1,000,000	4.16%	4.26%	20 August 2024
Enterprise bonds P	13 June 2022	1,000,000	1,000,000	4.30%	4.52%	13 June 2025
Enterprise bonds Q	3 August 2022	1,000,000	1,000,000	4.50%	4.60%	3 August 2025
Enterprise bonds R	3 November 2022	1,000,000	1,000,000	4.00%	4.12%	3 November 2027

Debentures were issued to various independent third parties according to the approvals issued by NAFMII and all of the debentures carry interest at fixed rate.

Enterprise bonds were issued according to the approvals issued by National Development and Reform Commission and are listed on Shanghai Stock Exchange and carry interest at coupon rate with the issuer's option to adjust the rate at pre-agreed dates.

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 26. GUARANTEED NOTES

	As at <b>30 June 2023</b> <b>RMB'000</b> <b>(Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
Amounts shown under current liabilities	<b>3,582,330</b>	1,392,893
Amounts shown under non-current liabilities	–	3,450,755
	<b>3,582,330</b>	4,843,648

On 22 July 2019, the Company issued 7.125% guaranteed notes with the aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB2,060,310,000) (the “2022 Guaranteed Notes”) which are guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will mature on 22 July 2022. On 22 July 2022, the Company has redeemed the 2022 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

On 27 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. On 2 May 2023, the Company has redeemed the 2023 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,230,050,000) (the “2024 Guaranteed Notes”) which are guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will mature on 31 May 2024.

The details of guaranteed notes should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 27. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds (“2017 CBs”) bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US\$320,000,000. The 2017 CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at an original conversion price of HK\$8.16 per share (subject to adjustment as provided in the term of agreements) with fixed exchange rate of HK\$7.8212 equal to US\$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 28 November 2020, redeem the outstanding 2017 CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds (“2021 CBs”) bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US\$300,000,000. The 2021 CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at an original conversion price of HK\$8.91 per share (subject to adjustment as provided in the term of agreements) with fixed exchange rate of HK\$7.7530 equal to US\$1.00 at any time on or after 7 March 2021 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 27. CONVERTIBLE BONDS (Continued)

The movements of the liability and derivatives components of the 2017 CBs and 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2017 CBs RMB'000	Derivatives component of 2017 CBs RMB'000	Liability component of 2021 CBs RMB'000	Derivatives component of 2021 CBs RMB'000	Total RMB'000
As at 1 January 2022 (Audited)	1,358,611	713,086	1,633,747	241,270	3,946,714
Conversion into shares of the Company (note 29)	(868,903)	(456,056)	–	–	(1,324,959)
Changes in fair values	–	31,289	–	322,059	353,348
Effective interest expenses	78,174	–	69,400	–	147,574
Interest paid	(15,158)	–	(44,102)	–	(59,260)
Exchange translation	50,127	26,264	85,430	20,668	182,489
As at 30 June 2022 (Unaudited)	602,851	314,583	1,744,475	583,997	3,245,906
As at 1 January 2023 (Audited)	–	–	<b>1,830,527</b>	<b>457,010</b>	<b>2,287,537</b>
Changes in fair values	–	–	–	<b>(14,393)</b>	<b>(14,393)</b>
Effective interest expenses	–	–	<b>94,554</b>	–	<b>94,554</b>
Interest paid	–	–	<b>(54,813)</b>	–	<b>(54,813)</b>
Exchange translation	–	–	<b>91,117</b>	<b>22,428</b>	<b>113,545</b>
As at 30 June 2023 (Unaudited)	–	–	<b>1,961,385</b>	<b>465,045</b>	<b>2,426,430</b>

During the six months ended 30 June 2022, 212,703,160 (six months ended 30 June 2023: nil) ordinary shares of the Company were issued as a result of the conversion of 2017 CBs with principal amount of US\$153,600,000 (six months ended 30 June 2023: nil). No redemption, purchase or cancellation by the Company has been made in respect of the 2021 CBs during the six months ended 30 June 2023 and 2022.

On 31 May 2023, as a result of the Company's declaration of dividend, the conversion price of the 2021 CBs was adjusted to HK\$7.15 per share (31 December 2022: HK\$7.24). Save for this alteration, all other terms and conditions of the outstanding 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 30 June 2023, the principal amount of the 2021 CBs that remained outstanding amounted to US\$300,000,000 (31 December 2022: US\$300,000,000) of which a maximum of 304,836,173 (31 December 2022: 321,256,906) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the 2021 CBs are set out in announcements of the Company dated 11 June 2021, 25 November 2021, 31 May 2022, 21 November 2022 and 31 May 2023.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 27. CONVERTIBLE BONDS (Continued)

At 30 June 2023 and 31 December 2022, the fair values of the derivatives component was valued by Asia-Pacific Consulting and Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the end of reporting period using the binomial option pricing model. The changes in fair value of the derivatives component of convertible bonds were recognised in profit or loss. The inputs into the model were as follows:

	2021 CBs	
	At 30 June 2023 (Unaudited)	At 31 December 2022 (Audited)
Share price	HK\$6.36	HK\$7.37
Conversion price	HK\$7.15	HK\$7.24
Expected volatility	50.00%	42.46%
Expected life	2.57 years	3.07 years
Risk free rate	4.65%	4.21%
Expected dividend yield	7.40%	5.83%

## 28. FINANCIAL ASSET AT AMORTISED COST

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
	<b>Financial asset at amortised cost</b>	
Collective investment trust A (note i)	–	2,499,000
Collective investment trust B (note ii)	2,494,000	–
	<b>2,494,000</b>	2,499,000

Note i: The collective investment trust A represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. ("CITIC Trust") 中信信託有限責任公司 and will be matured on 3 January 2025. The asset income trust carries fixed interest rate of 5.78% per annum. During the six months ended 30 June 2023, CITIC Trust early terminated the collective investment trust A in full at their principal amount together with investment income accumulated to the termination date.

Note ii: The collective investment trust B represents asset income trust with 2,494,000,000 units at RMB1 per unit issued by CITIC Trust and will be matured on 13 January 2028. The asset income trust carries fixed interest rate of 5.78% per annum.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 29. ISSUED CAPITAL

	Number of shares		Share Capital	
	30 June 2023	31 December 2022	30 June 2023 US\$	31 December 2022 US\$
<b>Authorised:</b>				
Ordinary shares of US\$0.01 each	20,000,000,000	20,000,000,000	200,000,000	200,000,000
<b>Issued and fully paid:</b>				
Ordinary shares of US\$0.01 each	9,475,538,425	9,475,538,425	94,755,384	94,755,384

	Number of shares	Share Capital RMB'000
<b>Issued and fully paid:</b>		
At 1 January 2022	9,121,352,349	595,139
Issue of shares upon conversion of 2017 CBs ( <i>note (i)</i> )	212,703,160	13,786
At 30 June 2022	9,334,055,509	608,925
Issue of shares upon conversion of 2017 CBs ( <i>note (iii)</i> )	141,482,916	9,956
At 31 December 2022 and 30 June 2023	9,475,538,425	618,881

Notes:

- (i) During the six months ended 30 June 2022, 2017 CBs with principal amounts of US\$55,000,000 and US\$98,600,000 was converted into 79,513,123 and 133,190,037 ordinary shares of the Company at par at the conversion price of HK\$5.41 and HK\$5.79 per ordinary share, respectively.
- (ii) During the year ended 31 December 2022, 2017 CBs with principal amounts of US\$92,800,000 was converted into 141,482,916 ordinary shares of the Company at par at the conversion price of HK\$5.13 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.

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

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 30. RESERVES

### (a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao New Material Co., Ltd (“Shandong Hongqiao”) in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong Weiqiao Chuangye Group Company Limited (“Weiqiao Chuangye”) 山東魏橋創業集團有限公司 in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; (v) share of capital reserve of an associate from Shandong Innovation Carbon New Material Co., Ltd. \* (“Innovation Carbon New Material”) 山東創新炭材料有限公司; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

### (b) Statutory surplus reserve

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

### (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.



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 31. 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 2023 and 31 December 2022. 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
		30/6/2023 RMB'000 (Unaudited)	31/12/2022 RMB'000 (Audited)	
Listed equity securities	Level 1	<b>1,405,461</b>	1,442,588	Quoted bid prices in an active market
Unlisted equity securities	Level 3	<b>100,000</b>	100,000	Market approach – Based on P/B multiples of listed entities in similar industry with consideration of marketability discount of 19.86% (31 December 2022: 23.84%) (Key unobservable inputs: the higher P/B ratio, the higher the fair value)
Limited partnerships	Level 3	<b>5,000,000</b>		– Adjusted asset-based approach – Based on adjusted net asset values with consideration of lack of control discount of 23.40% (31 December 2022: nil) (Key unobservable inputs: the higher lack of control discount, the lower the fair value)

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 31. FAIR VALUE DISCLOSURES (Continued)

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		30/6/2023 RMB'000 (Unaudited)	31/12/2022 RMB'000 (Audited)	
Interest rate swap contract	Level 2	–	2,122	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contracted interest rates), discounted at a rate that reflects the credit risk of various counterparties
Conversion option derivative of convertible bonds	Level 3	<b>465,045</b>	457,010	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield.  Key unobservable inputs: volatility at 50.00% (31 December 2022: 42.46%) (The higher the volatility, the higher the fair value)

There were no transfer between levels of fair value hierarchy in the current and prior periods.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 31. FAIR VALUE DISCLOSURES (Continued)

### Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis:

	Limited partnerships RMB'000	Conversion option derivative of convertible bonds RMB'000	Unlisted equity securities RMB'000
At 1 January 2023	–	457,010	100,000
Total losses			
– in profit or loss	–	(14,393)	–
Addition	5,000,000	–	–
Exchange difference	–	22,428	–
At 30 June 2023	5,000,000	465,045	100,000

The above total losses for the six months ended 30 June 2023 recognised in profit or loss of RMB14,393,000 are included in changes in fair value of financial instruments.

### Fair value measurements and valuation process

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

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the interim condensed consolidated financial information approximate their fair value.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 32. 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:

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Restricted bank deposits (note 20)	<b>1,850,630</b>	1,720,058
Property, plant and equipment (note 11)	<b>11,524,906</b>	12,069,053
Right-of-use assets (note 12)	<b>550,663</b>	556,345

### 33. COMMITMENTS

	<b>As at 30 June 2023</b>	As at 31 December 2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Capital expenditure in respect of acquisition of property, plant and equipment – Contracted for but not provided	<b>4,645,803</b>	3,545,775

### 34. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the six months ended 30 June 2022, the Group had the following change in its ownership interest in a subsidiary.

#### Acquisition of additional interest in a subsidiary

In April 2022, the Group acquired an additional 35% issued shares of Chongqing Weiqiao Financial Factoring Co., Ltd. \* ("Chongqing Weiqiao Financial") 重慶魏橋金融保理有限公司, increasing its ownership interest to 100%. Cash consideration of approximately RMB236,500,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao Financial was approximately RMB178,850,000. A schedule of the effect of acquisition of additional interest is as follow:

	RMB'000
Carrying amount of non-controlling interest acquired	178,850
Consideration paid for acquisition of additional interest in Chongqing Weiqiao Financial	(236,500)
Difference recognised in capital reserve within equity	(57,650)

\* The English translation is for reference only

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 35. 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 2023, 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 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
Binzhou City Construction Investment Development Co., Ltd. (“Binzhou Investment”) 濱州市公建投資開發有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. (“Beihai Solid Waste”) 濱州市北海魏橋固廢處置有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Ruixin Tendering Co., Ltd (“Shandong Ruixin”) 山東瑞信招標有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Railway Engineering Co., Ltd. (“Beihai Weiqiao Railway”) 濱州北海魏橋鐵路工程有限公司 (note i)	Controlled by Weiqiao Chuangye
Zhanhua Weiqiao Port Logistics Co., Ltd. (“Zhanhua Weiqiao Port Logistics”) 沾化魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Wudi Weiqiao Port Logistics Co., Ltd. (“Wudi Weiqiao Port Logistics”) 無棣魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Zouping Huineng Thermal Power Co., Ltd. (“Zouping Huineng”) 鄒平縣匯能熱電有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Xiangshang Clothing Culture Co., Ltd. (“Shandong Xiangshang”) 山東向尚服飾文化有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Weiqiao Jiajia Home Textile Co., Ltd. (“Weiqiao Jiajia”) 山東魏橋嘉嘉家紡有限公司 (note i)	Controlled by Weiqiao Chuangye

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, the directors of the Company are of the view that the following are related parties of the Group: (Continued)

Name of party	Relationship
Shandong Anhao Medical Protective Products Technology Co., Ltd. ("Shandong Anhao Medical") 山東安好醫療防護用品科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Weihai Weiqiao Energy Co., Ltd. ("Weihai Weiqiao Energy") 威海魏橋能源有限公司 (note i)	Controlled by Weiqiao Chuangye
CITIC Trust	note ii
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
Winning Consortium Simandou Railway Pte. Ltd. ("WCSR")	An associate of a subsidiary of the Company
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 subsidiary of the Company
Zouping Binneng Energy Technology Co., Ltd ("Binneng Energy") (note i)	An associate of a subsidiary of the Company
Shandong Weiqiao Haiyi Environmental Technology Co., Ltd. ("Weiqiao Haiyi Environmental") 山東魏橋海逸環保科技有限公司 (note i)	An associate of a subsidiary of the Company
Shandong Binhong Photovoltaic New Energy Co., Ltd. ("Shandong Binhong") 山東濱宏光伏新能源有限公司 (note i)	An associate of a subsidiary of the Company

Notes:

- i. The English names of the above companies are for reference only.
- ii. Mr. Liu Xiaojun, the director of the Company, which appointed on 29 December 2022, is also the key management personnel of CITIC Trust.
- 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.

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Sales of steam			
– Binzhou Industrial Park	(a)	7,206	5,458
– Ming Hong Textile	(a)	2,328	1,780
– Binzhou Investment	(a)	17,068	14,117
– Zhanhua Weiqiao Port Logistic	(a)	867	467
Sales of water			
– Zhanhua Weiqiao Port Logistic	(a)	55	63
Sales of electricity			
– Shandong Binhong	(a)	60	–
Sales of scraps material			
– Zouping Huineng	(a)	–	588
Purchase of right-of-use assets			
– Weiqiao Chuangye	(a)	(525,127)	(83,604)
Purchases of water			
– Jinsha Water Supply	(b)	(12,229)	(12,545)
– Weiqiao Chuangye	(b)	(23,285)	(17,726)
Industrial waste expenses			
– Beihai Solid Waste	(b)	(43,591)	(62,519)

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Purchases of collective investment trust			
– CITIC Trust	(b)	<b>(2,494,000)</b>	–
Investment income			
– CITIC Trust	(b)	<b>70,805</b>	–
Purchases of bauxite			
– GTS	(f)	<b>(6,601,490)</b>	(6,818,202)
– PT. Cita Mineral Investindo, Tbk.	(a)	–	(90,197)
Purchases of steam			
– Binneng Energy	(f)	<b>(499,817)</b>	–
– Weihai Weiqiao Energy	(a)	<b>(2,212)</b>	–
Purchase of electricity			
– Binneng Energy	(f)	<b>(7,636,460)</b>	(7,412,394)
– Weihai Weiqiao Energy	(a)	<b>(28,445)</b>	–
– Shandong Binhong	(a)	<b>(4,292)</b>	–
Purchase of anode carbon block			
– Innovation Carbon New Material	(f)	<b>(914,363)</b>	(1,135,065)
Purchase of accessories			
– Shandong Xiangshang	(a)	<b>(350)</b>	–
– Weiqiao Jiajia	(a)	<b>(645)</b>	–
– Shandong Anhao Medical	(a)	<b>(161)</b>	–



# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, 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	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Lease Payment			
– Weiqiao Chuangye	(a), (c)	<b>(38,982)</b>	(1,425)
– Harita Jayaraya	(e), (f)	<b>(589)</b>	(654)
– PT. Antar Sarana Rekasa	(d), (f)	<b>(4,176)</b>	(4,077)
Interest income from associates			
– Binneng Energy	(f)	<b>60,333</b>	56,918
– WCSR	(f)	<b>53,623</b>	1,607

Notes:

- (a) The related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14.76 of the Listing Rules.
- (b) The related party transactions constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.
- (c) The Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye in 2018. The amount of lease payment made by the Group under the lease is approximately RMB237,000 per month. As at 30 June 2023, the carrying amount of such lease liabilities is approximately RMB39,711,000 (31 December 2022: RMB40,394,000).
- The Group entered into a twenty-year lease in respect of land from Weiqiao Chuangye in 2023. The amount of lease payment made by the Group under the lease is approximately RMB37,560,000 per year and prepaid each year. As at 30 June 2023, the carrying amount of such lease liabilities is approximately RMB497,553,000 (31 December 2022: nil).
- (d) For the six months ended 30 June 2022, the Group entered into a lease for 3 years in respect of vessels in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB720,000 per month. As at 30 June 2023, the carrying amount of such lease liabilities is RMB12,154,000 (31 December 2022: RMB14,935,000).
- (e) For the year ended 31 December 2021, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB103,000 per month. As at 30 June 2023 and 31 December 2022, the carrying amount of such lease liabilities is nil.
- For the six months ended 30 June 2023, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of lease payment made by the Group under the lease is approximately RMB98,000 per month. As at 30 June 2023, the carrying amount of such lease liabilities is RMB1,780,000 (31 December 2022: nil).
- (f) The related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

## Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

### 35. RELATED PARTY TRANSACTIONS (Continued)

- (a) During the six months ended 30 June 2023, 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:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Loans to associates		
ABM	<b>794,838</b>	766,106
Binneng Energy	<b>2,000,000</b>	2,000,000
WCSR	<b>1,083,870</b>	1,044,690
Trade payables		
GTS	<b>(1,341,073)</b>	(2,171,252)
Innovation Carbon New Material	<b>(183,381)</b>	(286,458)
Jinsha Water Supply	<b>(242)</b>	(1,731)
Weiqiao Chuangye	<b>(57,404)</b>	(28,687)
PT. Cita Mineral Investindo, Tbk.	–	(39,585)
Shandong Xiangshang	<b>(89)</b>	–
Weiqiao Jiajia	<b>(534)</b>	–
Shandong Anhao Medical	<b>(3,017)</b>	–
Trade receivable		
Ming Hong Textile	<b>69</b>	127
Other payable		
Weiqiao Chuangye	–	(8,793)
Weiqiao Textile	–	(20,662)
Prepayments to an associate		
Binneng Energy	<b>562,889</b>	661,035
Financial assets at amortised cost		
CITIC Trust	<b>2,494,000</b>	–
Interest receivable		
WCSR	<b>98,845</b>	41,626

# Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

## 35. RELATED PARTY TRANSACTIONS (Continued)

### (b) Compensation of key management personnel

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short term employee benefit	5,350	3,219
Retirement benefits scheme contributions	62	59
	5,412	3,278

### (c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by related parties were as follows:

	As at	As at
	30 June 2023	31 December 2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Binneng Energy	1,400,000	1,400,000
Weiqiao Chuangye	3,437,140	3,289,242

## 36. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2023, the Group entered into new arrangement in respect of office premises and land use rights (six months ended 30 June 2022: vessels). Right-of-use assets and lease liabilities of approximately RMB600,010,000 (six months ended 30 June 2022: RMB22,790,000) were recognised at the commencement of the lease.

# Independent Auditor's Report



SHINEWING (HK) CPA Limited  
17/F, Chubb Tower, Windsor House,  
311 Gloucester Road,  
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司  
香港銅鑼灣告士打道311號  
皇室大廈安達人壽大樓17樓

## TO THE SHAREHOLDERS OF CHINA HONGQIAO GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of China Hongqiao Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 66 to 198, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.

# Independent Auditor's Report



## KEY AUDIT MATTERS (Continued)

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

- Estimated allowance on inventories;
- Impairment assessment of property, plant and equipment;
- Impairment assessment of interest in Zouping Binneng Energy Technology Co., Ltd\* (“Binneng Energy”) 鄒平濱能能源科技有限公司; and
- Impairment assessment of loans to associates.

## ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 24 to the consolidated financial statements and the accounting policies on page 94.

### The key audit matter

As at 31 December 2022, the carrying amount of the inventories was approximately RMB37,267,620,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value.

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

### How the matter was addressed in our audit

Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2022.

We have reviewed the utilisation of inventories and sales contracts awarded and entered into among the Group and the customers. We have also reviewed the subsequent selling prices of the inventories after 31 December 2022 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

\* The English translation is for reference only



# Independent Auditor's Report

## KEY AUDIT MATTERS (Continued)

### IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements and the accounting policies on pages 103 to 104.

#### The key audit matter

As at 31 December 2022, the carrying amount of property, plant and equipment amounted to approximately RMB68,060,299,000. Management assesses property, plant and equipment for potential impairment whenever there are indications that the carrying value may not be recoverable. An impairment loss on property, plant and equipment of approximately RMB224,838,000 was recognised for the year ended 31 December 2022.

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

#### How the matter was addressed in our audit

We understood the management methodology and basis applied in calculating the recoverable amounts.

We evaluated the recoverable amount calculations of the relevant assets prepared by the management by 1) obtaining external valuation reports for those assets where their recoverable amounts are determined by fair value less cost of disposal; 2) considering the objectivity, independence and competency of the valuation specialist; 3) assessing the appropriateness of the valuation methodologies and challenged the reasonableness of methodologies and the use of market data and assumptions applied in determining the fair value less cost of disposal and 4) checking the mathematical accuracy of the impairment models.

### IMPAIRMENT ASSESSMENT OF INTEREST IN BINNENG ENERGY

Refer to note 20 to the consolidated financial statements and the accounting policies on page 83.

#### The key audit matter

As at 31 December 2022, the carrying amount of the Group's interest in Binneng Energy amounted to approximately RMB4,865,113,000.

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

#### 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.

In order to address this matter in our audit, we obtained management's impairment assessment and valuation report prepared by their valuation specialist and challenged the reasonableness of the selection of valuation models, adoption of key assumptions and input data. In addition, we reviewed the future cash flow forecast prepared by management. We also challenged the appropriateness of the assumptions, including the sales growth rates and gross margin, against latest market expectations.

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

# Independent Auditor's Report



## KEY AUDIT MATTERS (Continued)

### IMPAIRMENT ASSESSMENT OF LOANS TO ASSOCIATES

Refer to notes 20 and 21 to the consolidated financial statements and the accounting policies on pages 83, 96 to 99.

#### The key audit matter

As at 31 December 2022, the Group had loans provided to associates at carrying amount of RMB3,810,796,000, of which RMB1,810,796,000 is included in interests in associates.

The loans provided to associates is assessed for impairment individually and involves significant management judgment in assessing the expected credit loss ("ECL"), based on the historical credit loss experience, forward-looking factors specific to the associate and economic environment and the net realisable value of the underlying collateral received.

We have identified the impairment assessment of loans to associates as a key audit matter since the assessment on the impairment involves significant judgements and estimates made by the management.

#### How the matter was addressed in our audit

Our procedures were designed to review the management's assessment of the ECL model adopted for the loss allowance on loans to associates.

In order to address this matter in our audit, we obtained management's impairment assessment and valuation report prepared by their valuation specialist and challenged the reasonableness of input data used by the management with reference to the historical credit loss experience, financial information of associates, recoverable amount of the collateral and the latest available general economic data.

## OTHER INFORMATION

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

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

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



# Independent Auditor's Report

## RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.



# Independent Auditor's Report

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

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

### **SHINEWING (HK) CPA Limited**

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

24 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	5	131,699,427	114,490,941
Cost of sales		(113,460,127)	(84,037,845)
Gross profit		18,239,300	30,453,096
Other income and gains	7	3,928,933	3,706,677
Selling and distribution expenses		(597,679)	(525,709)
Administrative expenses		(5,933,759)	(5,708,346)
Other expenses	8	(329,047)	(1,690,523)
Finance costs	9	(3,019,544)	(3,625,974)
Changes in fair values of financial instruments	31	(184,981)	(116,806)
Share of profits of associates	20	503,335	61,519
Profit before taxation		12,606,558	22,553,934
Income tax expenses	10	(2,797,583)	(5,705,135)
Profit for the year	11	9,808,975	16,848,799
Attributable to:			
Owners of the Company		8,701,953	16,073,342
Non-controlling interests		1,107,022	775,457
		9,808,975	16,848,799
Other comprehensive income (expense) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		356,375	(65,426)
Share of other comprehensive income (expense) of associates		177,920	(32,069)
		534,295	(97,495)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income		133,253	(108,960)
Total comprehensive income for the year, net of income tax		10,476,523	16,642,344
Total comprehensive income for the year attributable to			
Owners of the Company		9,217,385	15,896,066
Non-controlling interests		1,259,138	746,278
		10,476,523	16,642,344
Earnings per share	15		
– Basic (RMB)		0.9358	1.7720
– Diluted (RMB)		0.9358	1.7119

# Consolidated Statement of Financial Position

As at 31 December 2022



	Note	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	68,060,299	63,441,945
Right-of-use assets	17	7,672,678	5,718,365
Intangible assets	18	34,291	32,595
Investment properties	19	41,046	3,808
Deposits paid for acquisition of property, plant and equipment		644,100	636,493
Deferred tax assets	39	2,605,197	2,616,950
Interests in associates	20	10,296,678	6,064,998
Loan to an associate	21	2,000,000	2,000,000
Goodwill	22	278,224	278,224
Financial asset at amortised cost	28	2,499,000	2,499,000
Financial assets at fair value through other comprehensive income	23	1,542,588	1,058,906
Prepayment	27	2,500,000	541,210
		<b>98,174,101</b>	<b>84,892,494</b>
<b>CURRENT ASSETS</b>			
Inventories	24	37,267,620	22,705,105
Trade receivables	25	4,610,695	7,284,753
Bills receivables	26	5,573,175	11,918,515
Prepayments and other receivables	27	10,051,561	10,768,496
Other financial asset	29	2,122	99
Income tax recoverable		957,917	304
Restricted bank deposits	30	1,720,058	1,623,874
Cash and cash equivalents	30	27,384,542	49,227,282
		<b>87,567,690</b>	<b>103,528,428</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	32	14,911,002	18,735,216
Other payables and accruals	33	12,357,158	11,479,959
Bank borrowings – due within one year	34	30,533,850	21,010,873
Other financial liabilities	29	–	4,497
Lease liabilities	17	16,161	10,372
Liability component of convertible bonds – due within one year	38	–	1,358,611
Derivatives component of convertible bonds – due within one year	38	–	713,086
Income tax payable		618,264	2,719,910
Short-term debentures and notes	35	3,000,000	1,500,000
Medium-term debentures and bonds – due within one year	36	8,507,112	3,598,649
Guaranteed notes – due within one year	37	1,392,893	1,908,945
Deferred income	40	36,684	26,514
		<b>71,373,124</b>	<b>63,066,632</b>
<b>NET CURRENT ASSETS</b>		<b>16,194,566</b>	<b>40,461,796</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>114,368,667</b>	<b>125,354,290</b>

# Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year	34	4,993,909	15,370,878
Lease liabilities	17	51,755	51,359
Liability component of convertible bonds – due after one year	38	1,830,527	1,633,747
Derivatives component of convertible bonds – due after one year	38	457,010	241,270
Deferred tax liabilities	39	523,795	813,998
Medium-term debentures and bonds – due after one year	36	5,960,847	9,544,944
Guaranteed notes – due after one year	37	3,450,755	4,423,886
Deferred income	40	794,292	835,379
		<b>18,062,890</b>	32,915,461
<b>NET ASSETS</b>			
		<b>96,305,777</b>	92,438,829
<b>CAPITAL AND RESERVES</b>			
Share capital	41	618,881	595,139
Reserves	42	83,879,972	80,712,656
Equity attributable to owners of the Company		<b>84,498,853</b>	81,307,795
Non-controlling interests		<b>11,806,924</b>	11,131,034
<b>TOTAL EQUITY</b>		<b>96,305,777</b>	92,438,829

The consolidated financial statements on pages 66 to 198 were approved and authorised recognised for issue by the board of directors on 24 March 2023 and are signed on its behalf by:

\_\_\_\_\_  
Zhang Bo  
Director

\_\_\_\_\_  
Zhang Ruilian  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022



	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 42(d))	Capital reserve RMB'000 (Note 42(a))	Translation reserve RMB'000 (Note 42(c))	Statutory surplus reserve RMB'000 (Note 42(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829
Profit for the year	-	-	-	-	-	-	8,701,953	8,701,953	1,107,022	9,808,975
<i>Other comprehensive income for the year:</i>										
Fair value gain on investments in equity instruments at fair value through other comprehensive income	-	-	133,253	-	-	-	-	133,253	-	133,253
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	204,259	-	-	204,259	152,116	356,375
Share of other comprehensive income of associates	-	-	-	-	177,920	-	-	177,920	-	177,920
Total comprehensive income	-	-	133,253	-	382,179	-	8,701,953	9,217,385	1,259,138	10,476,523
Capital contribution	-	-	-	-	-	-	-	-	395,210	395,210
Share of capital reserve of an associate	-	-	-	23,918	-	-	-	23,918	-	23,918
Issue of shares upon conversion of convertible bonds (note 38)	23,742	2,207,465	-	-	-	-	-	2,231,207	-	2,231,207
Transfer to non-controlling interests	-	-	-	1,849	-	-	-	1,849	(1,849)	-
Change in ownership in interest in a subsidiary (note 47)	-	-	-	(57,650)	-	-	-	(57,650)	(178,850)	(236,500)
Transfer of reserves	-	-	-	-	-	1,353,142	(1,353,142)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(8,225,651)	(8,225,651)	(797,759)	(9,023,410)
	23,742	2,207,465	-	(31,883)	-	1,353,142	(9,578,793)	(6,026,327)	(583,248)	(6,609,575)
At 31 December 2022	618,881	25,040,832	(719,771)	217,699	323,311	16,304,187	42,713,714	84,498,853	11,806,924	96,305,777

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 42(d))	Capital reserve RMB'000 (Note 42(a))	Translation reserve RMB'000 (Note 42(c))	Statutory surplus reserve RMB'000 (Note 42(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	579,318	20,909,078	(744,064)	789,617	9,448	9,641,780	40,010,960	71,196,137	5,605,533	76,801,670
Profit for the year	-	-	-	-	-	-	16,073,342	16,073,342	775,457	16,848,799
<i>Other comprehensive (expense) income for the year:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(108,960)	-	-	-	-	(108,960)	-	(108,960)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(36,247)	-	-	(36,247)	(29,179)	(65,426)
Share of other comprehensive expense of associates	-	-	-	-	(32,069)	-	-	(32,069)	-	(32,069)
Total comprehensive (expense) income	-	-	(108,960)	-	(68,316)	-	16,073,342	15,896,066	746,278	16,642,344
Capital contribution	-	-	-	-	-	-	-	-	461,420	461,420
Share of capital reserve of an associate	-	-	-	288	-	-	-	288	-	288
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	(8,987)	(8,987)
Transfer to non-controlling interests	-	-	-	807	-	-	-	807	(807)	-
Step acquisition from associate to subsidiary (note 45)	-	-	-	-	-	-	-	-	87,244	87,244
Change in ownership in interest in subsidiaries (note 47)	-	-	-	(541,130)	-	-	-	(541,130)	4,343,630	3,802,500
Issue of shares (note 41)	15,821	1,924,289	-	-	-	-	-	1,940,110	-	1,940,110
Transfer of reserves	-	-	-	-	-	5,309,265	(5,309,265)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(7,184,483)	(7,184,483)	(103,277)	(7,287,760)
	15,821	1,924,289	-	(540,035)	-	5,309,265	(12,493,748)	(5,784,408)	4,779,223	(1,005,185)
At 31 December 2021	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022



	Note	2022 RMB'000	2021 RMB'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		12,606,558	22,553,934
Adjustments for:			
Interest income		(701,021)	(730,984)
Finance costs		3,019,544	3,625,974
Share of profits of associates		(503,335)	(61,519)
Depreciation of property, plant and equipment		6,762,988	6,516,403
Depreciation of investment properties		3,067	2,277
Depreciation of right-of-use assets		178,886	188,259
(Gain) loss on disposal of property, plant and equipment		(22,783)	12,982
Loss on fair values changes of financial instruments		184,981	116,806
Gain on bargain purchase	45	(20,522)	(59,945)
Amortisation of intangible assets		6,118	5,765
Amortisation of deferred income		(47,910)	(40,590)
Reversal of impairment of property, plant and equipment		–	(171,717)
Reversal of write-down of inventories		(20,417)	(39,108)
Reversal of impairment of trade receivables		(1,223)	–
Reversal of impairment of other receivables		–	(31,059)
Write-down of inventories		104,127	129,155
Impairment loss recognised in respect of trade receivables		–	756
Impairment loss recognised in respect of other receivables		82	–
Impairment loss recognised in respect of property, plant and equipment		224,838	1,483,143
Impairment loss recognised in respect of right-of-use assets		–	77,469
Gain on early termination of lease		–	(784)
Loss on fair value changes of previously held equity interest		–	13,572
Unrealised foreign exchange loss (gain), net		655,885	(316,709)
Operating cash flows before movements in working capital		22,429,863	33,274,080
Increase in inventories		(14,292,291)	(3,141,178)
Decrease in trade receivables		2,929,117	3,047,650
Decrease (increase) in bills receivables		6,910,804	(2,760,823)
Decrease (increase) in prepayments and other receivables		1,243,275	(2,658,418)
(Decrease) increase in trade and bills payables		(4,620,725)	5,265,427
(Decrease) increase in other payables and accruals		(830,151)	623,816
Cash generated from operations		13,769,892	33,650,554
Income tax paid		(6,148,056)	(5,001,029)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>7,621,836</b>	<b>28,649,525</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets at FVTOCI		(350,429)	(534,214)
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment		(8,848,359)	(5,999,147)
Placement of restricted bank deposits		(456,479)	(655,247)
Proceeds from disposal of an associate		–	104,562
Proceeds from disposal of property, plant and equipment		50,691	1,821,160
Settlement of other financial liabilities		(4,497)	–
Proceeds from disposal of non-current assets classified as held for sale		–	389,873
Addition to right-of-use assets		(1,424,871)	(650,695)
Net cash outflow arising on derecognition of a subsidiary		–	(8,987)
Interest received		656,960	729,684
Withdrawal of restricted bank deposits		360,295	573,471
Purchases of intangible assets		(7,814)	(10,931)
Addition of associates		–	(454,350)
Loan to an associate		(1,044,690)	–
Net cash outflows arising from step acquisition from associate to subsidiary	45	–	(361,606)
Prepayment for capital injection to the partnership		(2,500,000)	–
Net cash outflow on acquisition of subsidiaries	46	(833,318)	–
Capital injection to associates		(2,370,021)	(407,060)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(16,772,532)</b>	<b>(5,463,487)</b>



# Consolidated Statement of Cash Flows

For the year ended 31 December 2022



	Note	2022 RMB'000	2021 RMB'000
<b>FINANCING ACTIVITIES</b>			
Proceeds from bank borrowings		23,078,057	33,604,801
Proceeds from placing of shares		–	1,971,811
Proceeds from issuance of medium-term debentures and bonds		5,000,000	2,000,000
Proceeds from guaranteed notes		–	3,230,050
Proceeds from convertible bonds		–	1,932,616
Proceeds from issuance of short-term debentures and notes		3,000,000	1,500,000
Proceeds on disposal of partial interest in subsidiaries without losing control		–	3,802,500
Acquisition of additional interest of a subsidiary	47	(236,500)	–
Receipt of government grants		16,993	2,800
Transaction costs attributable to placing of shares		–	(31,701)
Transaction costs on issuance of medium-term debentures and bonds		(27,000)	(8,000)
Transaction costs on issue of guaranteed notes		–	(27,203)
Transaction costs on issue of convertible bonds		–	(28,525)
Transaction costs on issuance of short-term debentures and notes		(9,000)	(4,500)
Repayment of lease liabilities		(18,093)	(20,226)
Interest expense paid		(3,558,565)	(4,180,882)
Repayment of bank borrowings		(24,275,087)	(31,263,920)
Repayment of short-term debentures and bonds		(1,500,000)	–
Repayment of medium-term debentures and bonds		(3,600,214)	(25,049,381)
Repayment of guaranteed notes		(2,032,839)	–
Contribution from non-controlling interests		395,210	461,420
Dividends paid		(9,023,408)	(7,287,761)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(12,790,446)</b>	<b>(19,396,101)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(21,941,142)</b>	<b>3,789,937</b>
Effect of changes in foreign exchange rates		98,402	(28,016)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>49,227,282</b>	<b>45,465,361</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b> represented by bank balances and cash		<b>27,384,542</b>	<b>49,227,282</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 1. CORPORATE INFORMATION

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

The Company acts as an investment holding company, the principal activities of its subsidiaries (together with the Company, referred to as the “Group”) are set out in note 54.

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

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

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning on 1 January 2022.

Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to IFRSs	Annual improvement to IFRSs 2018 – 2020

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB which is relevant to the Group.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



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

### *Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework*

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update a reference to IFRS 3 so that it refers to Conceptual Framework for Financial Reporting issued in March 2018 (the “Conceptual Framework”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010). They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments did not have significant impact on the financial position and performance of the Group.

### *Impact on application of Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use*

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 Inventories.

The amendments did not have significant impact on the financial position and performance of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

### New and amendments to IFRSs issued but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 amendments to IFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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

### ***Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of Amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to IFRS 10 and IAS 28 will not have a material impact on the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



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

### **New and amendments to IFRSs issued but not yet effective (Continued)**

#### ***Amendments to IAS 1 Classification of Liabilities as Current or Non-current***

Amendments to IAS 1 Classification of Liabilities as Current or Non-current issued in 2020 clarify the requirements for classifying liabilities as current or non-current.

The amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted.

Based on the Group’s outstanding liabilities as at 31 December 2022, the application of the amendments will not result in change in the classification of the Group’s liabilities.

#### ***Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies***

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the “four-step materiality process” described in IFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

### **New and amendments to IFRSs issued but not yet effective (Continued)**

#### ***Amendments to IAS 8 Definition of Accounting Estimates***

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information. In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

#### ***Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with (i) the right-of-use assets and the lease liabilities and (ii) the provision for decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related assets.

As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB64,518,000 and RMB67,916,000 respectively. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

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

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

The significant accounting policies are set out below.

### **Basis of consolidation**

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

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of consolidation (Continued)**

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

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

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

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

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

### ***Changes in the Group's ownership interests in existing subsidiaries***

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

#### *Business combinations*

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

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

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;
- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of consolidation (Continued)**

#### ***Business combinations (Continued)***

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

### **Goodwill**

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

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

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

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

The Group's policy for goodwill relating to an associate is set out in "interests in associates" below.

### **Interests in associates**

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interests in associates (Continued)

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

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

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

The requirements of IAS 36 Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interests in associates (Continued)

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. In applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

### Revenue from contracts with customers

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

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from contracts with customers (Continued)

#### *Contract liabilities*

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

#### **Sales of goods**

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

Revenue from sales of steam are recognised at a point in time and based on steam consumption derived from meter readings.

Revenue from sales of electricity are recognised at a point in time and based on electricity consumption derived from meter readings.

#### **Leasing**

##### *Definition of a lease*

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

##### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

#### *The Group as lessee (Continued)*

##### *Lease liabilities*

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

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

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

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

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### *Right-of-use assets*

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

#### *The Group as lessee (Continued)*

##### *Lease modification*

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

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

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

#### *The Group as lessor*

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### Foreign currencies

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

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

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants

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

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

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

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

### Retirement benefits costs and termination benefits

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

### Short-term and other long-term employee benefits

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

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

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

### Taxation

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Taxation (Continued)**

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

### **Property, plant and equipment**

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

### ***Ownership interests in leasehold land and buildings***

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including cost of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

If an item of property, plant and equipment and right-of-use assets become an investment property when there is a change in use, as supported by observable evidence, the carrying amount of that item at the date of transfer is the deemed cost for subsequent accounting for that property as an item of investment property.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment and right-of-use assets.

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (Continued)

#### *Internally-generated intangible assets-research and development expenditure*

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

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

#### *Intangible asset acquired in a business combination*

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Inventories**

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

### **Cash and cash equivalents**

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts which are repayable on demand and form an intergrade part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

### **Investments in subsidiaries**

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

### **Financial instruments**

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

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

### ***Financial assets***

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

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

#### *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

#### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income and gains" line item (note 7).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Equity instruments as at FVTOCI*

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

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

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income and gains' line item in profit or loss.

##### *Financial assets at FVTPL*

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item. Fair value is determined in the manner described in note 44.

A financial asset is held for trading if:

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9*

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, including other receivables, bills receivables, restricted bank deposits, cash and cash equivalents, loan to an associate and financial asset at amortised cost, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

#### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

#### Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

##### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### Credit-impaired financial assets

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, e.g. when the counterparty has been placed under liquidation.

##### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Derecognition of financial assets*

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

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

##### *Equity instruments*

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments (Continued)*

##### *Financial liabilities*

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

##### Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the “changes in fair values of financial instruments” line item in profit or loss.

##### Financial liabilities subsequently measured at amortised cost

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

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

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments (Continued)*

##### *Convertible bonds*

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

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

#### **Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)**

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

### **Fair value measurement**

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

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### **Critical judgements in applying accounting policies**

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

#### ***Ownership of the land and buildings***

As disclosed in note 16, there are properties located in the PRC of which the Group is in the process of obtaining the ownership certificate. Despite the fact that the Group has not obtained the relevant legal title, the directors of Company determine to recognise these lands and buildings on the ground that there is no legal barrier or otherwise for the Group to obtain such title ownership certificates and the Group is in substance controlling these lands and buildings. In the opinion of the directors of Company, the absence of formal title to these lands and buildings does not impair the value of the relevant assets to the Group.

#### ***Controls in subsidiaries***

As per note 54 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") is a subsidiary of the Group even though the Group has only 26.64% (2021: 26.64%) ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange. The remaining 71.82% of the ownership interests were held by numerous shareholders that were unrelated to the Group.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

### Critical judgements in applying accounting policies (Continued)

#### *Withholding tax provision on profit appropriation*

The Group provides for withholding taxes on certain of its PRC subsidiaries' distributable profits generated in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2022, the amount provided for withholding tax was approximately RMB358,097,000 (2021: RMB589,717,000). Further details are given in note 39 to the consolidated financial statements.

#### **Key sources of estimation uncertainty**

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

#### ***Impairment of goodwill allocated to Binzhou Hongnuo New Material Co. Ltd.\* ("Binzhou Hongnuo New Material")***濱州市宏諾新材料有限公司

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The future cash flow is estimated based on past performance and expectation for market development. The carrying amount of goodwill allocated to Binzhou Hongnuo New Material at 31 December 2022 was approximately RMB80,418,000 (2021: RMB80,418,000). Further details are given in note 22.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



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

### Key sources of estimation uncertainty (Continued)

#### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 were approximately RMB689,066,000 (2021: RMB771,861,000). The amount of unrecognised tax losses at 31 December 2022 was approximately RMB1,903,813,000 (2021: RMB1,742,544,000). Further details are contained in note 39.

#### *PRC Enterprise Income Tax ("PRC EIT")*

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

#### *Estimated impairment of property, plant and equipment*

At the end of the reporting period, the directors of the Company review the carrying amount of its property, plant and equipment of approximately RMB68,060,299,000 (2021: RMB63,441,945,000), net of accumulated impairment of property, plant and equipment of approximately RMB3,687,696,000 (2021: RMB3,462,858,000) and identify if there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value-in-use. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact.

Based on the directors' assessment of recoverable amount of the relevant assets and with reference to fair values less costs of disposal of certain property, plant and equipment assessed by independent valuer, impairment loss on property, plant and equipment of approximately RMB224,838,000 (2021: RMB1,483,143,000) was recognised for the year ended 31 December 2022.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

### Key sources of estimation uncertainty (Continued)

#### *Estimated useful life of property, plant and equipment*

At the end of each reporting period, the directors of the Company review the estimated useful life of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment as at 31 December 2022 are RMB68,060,299,000 (2021: RMB63,441,945,000).

#### *Impairment of trade receivables*

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking information are considered. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2022, the carrying amount of trade receivables was approximately RMB4,610,695,000 (2021: RMB7,284,753,000), net of allowance for impairment loss of approximately RMB6,719,000 (2021: RMB7,942,000).

#### *Impairment assessment of interests in associates*

The carrying amount of the interests in associates is tested for impairment as a single asset. Determining whether interest in an associate is impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in an associate. The Group identifies impairment indicators by considering the market and economic environment in which the associate operates and the financial performance of the associate. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the associate and apply a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2022, the carrying amount of interests in associates, excluding the loans to associates, was RMB8,485,882,000 (2021: RMB5,363,671,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



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

### Key sources of estimation uncertainty (Continued)

#### *Impairment assessment of loans to associates*

The impairment assessment of loans to associates is based on (i) assumptions about ECL and (ii) the net realisable value of the underlying collateral received. The Group uses judgement in making assumptions and selecting the inputs to the ECL calculation including the associates historical credit loss experience and forward-looking information at the end of the reporting period. Changes in assumption and selection of data inputs would result in significant change in carrying amount of the loans to associates. As at 31 December 2022, the carrying amount of loans to associates amounted to RMB3,810,796,000 (2021: RMB2,701,327,000), of which RMB1,810,796,000 (2021: RMB701,327,000) is included in interests in associates. No impairment loss has been recognised in profit or loss during the years ended 31 December 2022 and 2021.

#### *Estimated allowance on inventories*

The Group's management assesses periodically whether net realisable values of inventories have been higher than their costs. For different types of inventories, it requires the exercise of accounting estimates on subsequent sales, costs of conversion and selling expenses to calculate its net realisable value. It is reasonably possible that outcomes would be significantly affected if there is a significant change in circumstances, including the Group's business and the external environment. As at 31 December 2022, the carrying amount of inventories and accumulated write-down of inventories was approximately RMB37,267,620,000 (2021: RMB22,705,105,000), and RMB104,712,000 (2021: RMB200,627,000) respectively.

#### *Fair value of derivatives component of convertible bonds*

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amount of derivatives component of convertible bonds of approximately RMB457,010,000 (2021: RMB954,356,000) as at 31 December 2022 are set out in note 38.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 5. REVENUE

An analysis of the Group's revenue were recognised at a point in time as follows:

	2022 RMB'000	2021 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	85,833,912	79,471,503
– aluminum alloy ingots	10,393,059	4,841,490
– aluminum fabrication	13,302,321	12,523,879
– alumina	21,404,782	16,966,928
Steam supply income	765,353	687,141
	<b>131,699,427</b>	<b>114,490,941</b>

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

	2022 RMB'000	2021 RMB'000
<i>Geographical region</i>		
The PRC	123,249,928	109,884,370
India	1,119,007	1,045,921
Europe	3,133,262	924,082
Malaysia	256,487	319,672
Other Southeast Asia region	1,483,309	646,816
North America	1,863,564	1,218,545
Others	593,870	451,535
Total	<b>131,699,427</b>	<b>114,490,941</b>
<i>Type of customers</i>		
Government related	274	231
Non-government related	131,699,153	114,490,710
Total	<b>131,699,427</b>	<b>114,490,941</b>
<i>Sales channels</i>		
Direct sales	<b>131,699,427</b>	<b>114,490,941</b>

### Transaction price allocated to the remaining performance obligation for contracts with customers

Sales of goods were made in a short period of time and the performance obligation was mostly satisfied in one year or less at the end of each year, thus the Group applied the expedient of not to disclose the transaction price allocated to unsatisfied performance obligation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 6. SEGMENT INFORMATION

For management purposes, the Group operates only one reportable segment which is manufacture and sales of aluminum products. The Group conducts its principal operation in the PRC (including Hong Kong) and Indonesia. Management monitors the operating results of its business unit for the purpose of making decisions about resources allocation and performance assessment.

### Geographic information

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

	Non-current assets	
	2022 RMB'000	2021 RMB'000
PRC	82,565,449	70,154,564
Indonesia	6,961,867	6,563,074
	<b>89,527,316</b>	76,717,638

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

### Information about major customers

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

	2022 RMB'000	2021 RMB'000
Customer A	50,042,829	43,828,329

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 7. OTHER INCOME AND GAINS

	2022 RMB'000	2021 RMB'000
Bank interest income	193,141	234,049
Other interest income	208,420	199,158
Investment income	142,846	182,997
Interest income from loans to associates	156,614	114,780
Gain from sales of raw materials and scraps materials	1,351,888	1,136,123
Gain from sales of slag of carbon anode blocks	1,640,424	973,663
Reversal of write-down of inventories (note 24)	20,417	39,108
Reversal of impairment of other receivables (note 27)	–	31,059
Reversal of impairment of trade receivables (note 25)	1,223	–
Reversal of impairment of property, plant and equipment (note 16)	–	171,717
Amortisation of deferred income (note 40)	47,910	40,590
Foreign exchange gain, net	–	393,892
Rental income for investment properties under operating lease that lease payments are fixed	600	7,536
Gain on early termination of lease	–	784
Gain on acquisition from associate to subsidiary	–	46,373
Gain on disposal of property, plant and equipment	22,783	–
Gain on bargain purchase (note 46)	20,522	–
Others	122,145	134,848
	<b>3,928,933</b>	<b>3,706,677</b>

## 8. OTHER EXPENSES

	2022 RMB'000	2021 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note 16)	224,838	1,483,143
Impairment loss recognised in respect of right-of-use assets (note 17)	–	77,469
Impairment loss recognised in respect of other receivables (note 27)	82	–
Impairment loss recognised in respect of trade receivables (note 25)	–	756
Write-down of inventories (note 24)	104,127	129,155
	<b>329,047</b>	<b>1,690,523</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest expenses on bank borrowings	2,174,962	1,826,233
Interest expenses on short-term debentures and notes	73,311	14,128
Interest expenses on medium-term debentures and bonds	568,952	1,166,171
Interest expenses on guaranteed notes	386,610	351,229
Interest expenses on convertible bonds	227,377	394,141
Interest expenses on lease liabilities	2,833	2,453
Total interest expense for financial liabilities not measured at FVTPL	3,434,045	3,754,355
Less: amounts capitalised in the cost of qualifying assets	(414,501)	(128,381)
	<b>3,019,544</b>	<b>3,625,974</b>

## 10. INCOME TAX EXPENSES

	2022 RMB'000	2021 RMB'000
Current tax:		
– PRC EIT	2,879,599	5,424,375
– Indonesia Corporate Income Tax	162,180	137,070
– Withholding tax	47,018	–
Over provision in prior year		
– Hong Kong Profits Tax	–	(20,631)
	<b>3,088,797</b>	<b>5,540,814</b>
Deferred taxation	(291,214)	164,321
Total income tax expenses for the year	<b>2,797,583</b>	<b>5,705,135</b>

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. During the years ended 31 December 2022 and 2021, certain PRC subsidiaries was recognised by the PRC government as "High and New Technology Enterprise" or enjoyed the tax concession policies of the western development respectively and was eligible to a preferential tax rate of 15% (2021: 15%).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 10. INCOME TAX EXPENSES (Continued)

Under the Law on the Harmonization of Tax Regulations of 2021 issued, corporate income tax maintained at 22% for both years.

During the year ended 31 December 2022, an Indonesia withholding income tax of 10% levied on the Indonesia subsidiary when the dividend was paid out of profits earned to its shareholders.

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2022 and 2021 as there were no assessable profits generated during the year.

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

Under the prevailing EIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiaries are subject to PRC dividend withholding tax rate of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 10. INCOME TAX EXPENSES (Continued)

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

	2022 RMB'000	2021 RMB'000
Profit before taxation	12,606,558	22,553,934
Tax at the domestic income tax rate of 25% (note i)	3,151,640	5,638,484
Tax effect of income not taxable for tax purpose	(58,792)	(105,788)
Tax effect of expenses not deductible for tax purpose	406,250	290,763
Tax effect of tax losses not recognised	141,629	272,613
Utilisation of tax losses previously not recognised	(109,396)	(57,677)
Overprovision in respect of prior years	–	(20,631)
Effect of different tax rates of subsidiaries operating in other jurisdiction	(12,586)	7,682
Effect of income tax on concessionary rate	(167,271)	(54,009)
Withholding tax	47,018	–
Tax effect of share of profits of associates	(125,834)	(15,380)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries (note 39)	(231,620)	(38,248)
Tax effect of super deduction from research and development expenses (note ii)	(243,455)	(212,674)
Income tax expenses for the year	2,797,583	5,705,135

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

Note ii: An additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax laws and its relevant regulations.

Details of the deferred taxation are set out in note 39.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 11. PROFIT FOR THE YEAR

	2022 RMB'000	2021 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 12)	7,738	7,579
Salaries and allowances (excluding directors' and chief executive's emoluments)	4,184,188	3,702,328
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	936,043	264,522
<b>Total staff costs</b>	<b>5,127,969</b>	<b>3,974,429</b>
Auditor's remuneration	4,200	4,200
Amortisation of intangible assets	6,118	5,765
Cost of inventories recognised as an expense	112,452,437	82,885,582
Depreciation of property, plant and equipment	6,762,988	6,516,403
Depreciation of investment properties	3,067	2,277
Depreciation of right-of-use assets	178,886	188,259
Loss on disposal of property, plant and equipment	–	12,982
Foreign exchange loss, net	889,485	–
Research and development expenses (note)	986,162	850,696
Gross rental income from investment properties	600	7,536
Less: direct operating expenses incurred for investment properties that generated rental income during the year	–	–
	<b>600</b>	<b>7,536</b>

Note: Included in research and development expenses was staff cost of approximately RMB256,300,000 (2021: RMB121,293,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 13 (2021: 13) directors and the chief executive were as follows:

	Executive directors				Non-executive directors				Independent non-executive directors				Total	
	Zheng Shuliang	Zhang Bo	Zhang Ruilian	Wong Yuting <sup>3</sup>	Yang Congsen	Zhang Jinglei	Li Zimin <sup>2</sup> (Zhang Hao as his alternative)	Liu Xiaojun <sup>1</sup> (Zhang Hao as his alternative)	Sun Dongdong <sup>5</sup>	Xing Jian	Han Benwen	Dong Xinyi		Wen Xianjun <sup>5</sup>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>FOR THE YEAR ENDED 31 DECEMBER 2022</b>														
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings														
Fees	500	800	500	500	600	-	300	-	300	150	150	200	200	4,200
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings														
Other emoluments														
- Salaries, bonus and allowances	66	177	119	2,799	155	-	-	-	131	-	-	-	-	3,447
- Retirement benefit scheme contributions	-	15	15	31	15	-	-	-	15	-	-	-	-	91
	566	992	634	3,330	770	-	300	-	446	150	150	200	200	7,738

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

	Executive directors				Non-executive directors				Independent non-executive directors				Total	
	Zheng Shuliang	Zhang Bo	Zhang Ruilian	Wong Yuting <sup>3</sup>	Yang Congsen	Zhang Jinglei	Chen Yisong <sup>6</sup> (Zhang Hao as his alternate)	Li Zimin <sup>4</sup> (Zhang Hao as his alternate)	Sun Dongdong <sup>5</sup>	Xing Jian	Han Benwen	Dong Xinyi		Wen Xianjun <sup>5</sup>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>FOR THE YEAR ENDED</b>														
<b>31 DECEMBER 2021</b>														
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings														
Fees	500	800	500	183	600	300	22	278	248	200	200	200	165	4,196
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings														
Other emoluments														
- Salaries, bonus and allowances	62	166	99	2,739	126	-	-	-	104	-	-	-	-	3,296
- Retirement benefit scheme contributions	-	15	14	30	14	-	-	-	14	-	-	-	-	87
	562	981	613	2,952	740	300	22	278	366	200	200	200	165	7,579

1. Appointed on 29 December 2022.
2. Resigned on 29 December 2022.
3. Appointed on 20 August 2021.
4. Appointed on 27 January 2021.
5. Appointed on 5 March 2021.
6. Resigned on 27 January 2021.

During the year ended 31 December 2022, except for one non-executive director waived emoluments of RMB300,000, none of the chief executive nor other directors waived any emoluments during the years ended 31 December 2022 and 2021.

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

The performance related bonus is determined by the Group having regard to the directors' performance and the prevailing market conditions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



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

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

No emoluments were paid by the Group to any director as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2022 and 2021.

## 13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2021: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2021: three) individuals were as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other benefits	5,035	3,361
Retirement benefits scheme contributions	63	99
	<b>5,098</b>	<b>3,460</b>

Their emoluments were within the following bands:

	No. of employee	
	2022	2021
Nil to HK\$1,000,000 (nil to approximately RMB859,000)	1	1
HK\$1,000,001 to HK\$1,500,000 (approximately RMB859,001 to RMB1,288,000)	1	2
HK\$3,000,001 to HK\$3,500,000 (approximately RMB2,576,001 to RMB3,006,000)	1	–
	<b>3</b>	<b>3</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 14. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Dividends recognised as distribution during the year:		
2022 Interim dividend – HK41 cents (2021: 2021 interim dividend HK45 cents) per share	<b>3,513,331</b>	3,736,188
2021 Final dividend – HK60 cents (2021: 2020 final dividend HK50 cents) per share	<b>4,712,320</b>	3,448,295
	<b>8,225,651</b>	7,184,483

Subsequent to the end of the reporting period, a final dividend of HK10 cents per share in respect of the year ended 31 December 2022, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 15. EARNINGS PER SHARE

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

	2022 RMB'000	2021 RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	<b>8,701,953</b>	16,073,342
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	–	394,141
Changes in fair values of derivatives component of convertible bonds	–	117,350
Exchange gain on translation of convertible bonds	–	(55,277)
Earnings for the purpose of diluted earnings per share	<b>8,701,953</b>	16,529,556

	2022 '000	2021 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>9,299,172</b>	9,070,755
Effect of dilutive potential ordinary shares:		
Convertible bonds	–	585,087
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>9,299,172</b>	9,655,842

The computation of diluted earnings per share for the year ended 31 December 2022 did not assume the conversion of the Company outstanding convertible bonds since their exercise would result in an increase in earnings per share.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Aircraft RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
At 1 January 2021	40,195,599	60,870,268	91,971	73,728	–	3,944,007	105,175,573
Additions	132,031	201,133	3,833	26,011	353,851	4,791,158	5,508,017
Transfer	540,066	1,218,767	2,748	–	–	(1,761,581)	–
Acquired on step acquisition from associate to subsidiary (note 45)	36,287	4,619	134	–	–	1,408,809	1,449,849
Disposals	(78,064)	(1,026,279)	(514)	(7,101)	–	–	(1,111,958)
Exchange realignment	(80,654)	(28,617)	(397)	(149)	(58)	(24,045)	(133,920)
At 31 December 2021 and 1 January 2022	40,745,265	61,239,891	97,775	92,489	353,793	8,358,348	110,887,561
Additions	1,341,101	339,980	25,531	20,802	–	8,322,205	10,049,619
Acquired on acquisition from subsidiaries (note 46)	234,250	945,782	–	–	–	–	1,180,032
Transfer	5,191,713	4,318,774	–	–	–	(9,510,487)	–
Transfer to investment properties (note 19)	(40,305)	–	–	–	–	–	(40,305)
Disposals	(110,938)	(1,193,686)	–	–	–	–	(1,304,624)
Exchange realignment	438,598	167,283	2,088	919	2,838	–	611,726
At 31 December 2022	47,799,684	65,818,024	125,394	114,210	356,631	7,170,066	121,384,009
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
At 1 January 2021	11,013,188	28,863,398	75,968	46,392	–	426,266	40,425,212
Provided for the year	1,546,805	4,950,326	8,975	6,365	3,932	–	6,516,403
Impairment loss recognised in profit or loss	1,022,839	460,304	–	–	–	–	1,483,143
Reversal of impairment loss	(74,794)	(96,845)	–	(78)	–	–	(171,717)
Eliminated on disposals	(26,602)	(745,402)	(421)	(5,391)	–	–	(777,816)
Exchange realignment	(19,403)	(9,764)	(299)	(93)	(50)	–	(29,609)
At 31 December 2021 and 1 January 2022	13,462,033	33,422,017	84,223	47,195	3,882	426,266	47,445,616
Provided for the year	2,048,208	4,668,852	11,947	8,673	25,308	–	6,762,988
Impairment loss recognised in profit or loss	126,886	97,952	–	–	–	–	224,838
Eliminated on disposals	(92,836)	(1,183,880)	–	–	–	–	(1,276,716)
Exchange realignment	108,989	55,492	1,607	753	143	–	166,984
At 31 December 2022	15,653,280	37,060,433	97,777	56,621	29,333	426,266	53,323,710
<b>CARRYING VALUES</b>							
At 31 December 2022	32,146,404	28,757,591	27,617	57,589	327,298	6,743,800	68,060,299
At 31 December 2021	27,283,232	27,817,874	13,552	45,294	349,911	7,932,082	63,441,945

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	20-30 years
Plant and machinery	5-20 years
Furniture and fixtures	5-14 years
Motor vehicles	10 years
Aircraft	15 years

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

At 31 December 2022, certain of the Group's buildings with a net carrying amount of approximately RMB12,069,053,000 (2021: RMB11,803,565,000) were pledged to secure bank borrowings of the Group (note 34).

There are properties with a carrying amount of approximately RMB6,121,762,000 (2021: RMB4,511,766,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant. The carrying values of these individual plants were compared to the recoverable amounts of the CGUs, which were based on fair values less costs of disposal or value-in-use. Market comparison approach is used to measure the fair value less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets.

During the year ended 31 December 2022, due to certain new local incentive policy launched, the directors of the Company conducted a study and further relocated certain manufacturing plants to enjoy such benefits. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets that subject to the relocation plan were impaired to their recoverable amount of approximately RMB2,440,906,000, which was their carrying values at year end and the impairment of RMB224,838,000 had been recognised in profit or loss within the relevant functions to which these assets relate during the year ended 31 December 2022.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2021, due to the relocation of certain manufacturing plants, the directors of the Company conducted a review and determined that a number of those assets were impaired. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets were impaired to their recoverable amount of approximately RMB2,376,345,000, which was their carrying values at year end and the impairment of RMB1,483,143,000 had been recognised in profit or loss within the relevant functions to which these assets relate during the year ended 31 December 2021.

The fair value measurement of the property, plant and equipment is categorised within level 2 of the fair value hierarchy which were estimated with reference to the market prices of similar assets after considering the conditions of these assets and the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The valuations carried out on 31 December 2022 and 2021 were performed by Wanlong (Shanghai) Assets Assessment Co, Ltd (“Wanlong”), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar property, plant and equipment in the relevant industries.

The Group recognised an amount of approximately RMB171,717,000 in respect of the reversal of impairment loss of property, plant and equipment which were subsequent sold at profit during the year ended 31 December 2021. No such reversal of property, plant and equipment was recognised during the year ended 31 December 2022.

There were no transfers between levels of fair value hierarchy during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 17. LEASES

### (i) Right-of-use assets

	Land use rights RMB'000	Properties RMB'000	Vessels, crew boats and crane barge RMB'000	Total RMB'000
<b>COST</b>				
As at 1 January 2021	5,895,636	116,630	20,988	6,033,254
Additions	228,745	19,891	–	248,636
Acquired on step acquisition from associate to subsidiary (note 45)	112,264	–	–	112,264
Transfer to investment properties (note 19)	(191,369)	–	–	(191,369)
Transfer from investment properties (note 19)	164,376	–	–	164,376
Early termination of lease	–	(39,159)	–	(39,159)
Modification of lease term	–	6,054	–	6,054
Exchange realignment	(502)	(104)	(798)	(1,404)
At 31 December 2021 and 1 January 2022	6,209,150	103,312	20,190	6,332,652
Additions	1,966,081	1,854	22,469	1,990,404
Acquired on acquisition of subsidiaries (note 46a)	140,479	–	–	140,479
Exchange realignment	2,360	–	(66)	2,294
At 31 December 2022	8,318,070	105,166	42,593	8,465,829
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
As at 1 January 2021	332,472	41,155	13,076	386,703
Depreciation for the year	165,095	15,403	7,761	188,259
Early termination of lease	–	(12,452)	–	(12,452)
Impairment loss recognised in profit or loss	77,469	–	–	77,469
Transfer to investment properties (note 19)	(24,961)	–	–	(24,961)
Exchange realignment	–	(84)	(647)	(731)
At 31 December 2021 and 1 January 2022	550,075	44,022	20,190	614,287
Depreciation for the year	159,835	11,561	7,490	178,886
Exchange realignment	–	–	(22)	(22)
At 31 December 2022	709,910	55,583	27,658	793,151
<b>CARRYING VALUES</b>				
At 31 December 2022	7,608,160	49,583	14,935	7,672,678
At 31 December 2021	5,659,075	59,290	–	5,718,365

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 17. LEASES (Continued)

### (i) Right-of-use assets (Continued)

As at 31 December 2022, right-of-use assets of RMB7,608,160,000 (2021: RMB5,659,075,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. As at 31 December 2022, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB1,300,343,000 (2021: RMB303,713,000). In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

During the year ended 31 December 2021, the Group terminated the lease of two office premises and derecognised right-of-use assets and lease liabilities of approximately RMB26,707,000 and RMB27,491,000 respectively, resulting in a gain on early termination of lease of approximately RMB784,000 being recognised in profit or loss.

During the year ended 31 December 2021, due to the sale and purchase of two land use rights within the group entities, the directors of the Company have conducted a review of the two land use rights and determined that they were impaired. The recoverable amounts of the two land use rights were determined on the basis of their fair value less costs of disposal. Market comparison approach is used to measure the fair value less costs of disposal of the land use rights which is based on the recent transaction prices for similar land use rights adjusted for nature, location and conditions of the land use rights. The fair value measurement is categorised into Level 2 fair value hierarchy. The relevant assets were impaired to their recoverable amount of approximately RMB539,951,000, which was their carrying values at year end and the impairment of RMB77,469,000 had been recognised in profit or loss within the relevant functions to which these assets relate.

The recoverable amounts of the two land use rights at 31 December 2021 were arrived at on the basis of a valuation carried out on that date by Shandong Xintiandi Assets Appraisal Co., Ltd. \* ("Shandong Xintiandi") 山東新天地土地房地產資產評估有限公司, an independent qualified professional valuer not connected with the Group. Shandong Xintiandi has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations. There were no transfers between levels of fair value hierarchy during the year.

The Group has lease arrangements for office premises, factories, vessels, crew boats and crane barges. The lease terms are generally ranged from 2 to 20 years (2021: ranged from 2 to 20 years).

At 31 December 2022, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB556,345,000 (2021: RMB499,916,000) were pledged to secure bank borrowings of the Group (note 34).

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 17. LEASES (Continued)

### (ii) Lease liabilities

	2022 RMB'000	2021 RMB'000
Non-current	51,755	51,359
Current	16,161	10,372
	<b>67,916</b>	61,731

Amounts payable under lease liabilities

	2022 RMB'000	2021 RMB'000
Within one year	16,161	10,372
After one year but within two years	12,800	7,891
After two years but within five years	5,997	12,409
After five years	32,958	31,059
	<b>67,916</b>	61,731
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(16,161)</b>	(10,372)
Amount due for settlement after 12 months	<b>51,755</b>	51,359

During the year ended 31 December 2022, the Group entered into a new lease agreement in respect of office premises and a vessels and recognised lease liability of approximately RMB24,323,000 (2021: a new lease agreement in respect of factory and modified a lease agreement for office premises of approximately RMB25,945,000).

### (iii) Amounts recognised in profit or loss

	Year ended	
	31 December 2022 RMB'000	31 December 2021 RMB'000
Interest expense on lease liabilities	2,833	2,453

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 17. LEASES (Continued)

### (iv) Others

During the year ended 31 December 2022, the total cash outflow for leases amounted to approximately RMB20,926,000 (2021: RMB22,679,000).

### *Restrictions or covenants on leases*

As at 31 December 2022, lease liabilities of RMB67,916,000 are recognised with related right-of-use assets of RMB64,518,000 (2021: lease liabilities of RMB61,731,000 and related right-of-use assets of RMB59,290,000). The lease agreements do not impose any covenants and restriction.

## 18. INTANGIBLE ASSETS

	Patents RMB'000
<b>COST</b>	
At 1 January 2021	39,603
Additions	10,931
At 31 December 2021 and 1 January 2022	50,534
Additions	7,814
At 31 December 2022	58,348
<b>ACCUMULATED AMORTISATION</b>	
At 1 January 2021	12,174
Provided for the year	5,765
At 31 December 2021 and 1 January 2022	17,939
Provided for the year	6,118
At 31 December 2022	24,057
<b>CARRYING VALUES</b>	
At 31 December 2022	34,291
At 31 December 2021	32,595

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 19. INVESTMENT PROPERTIES

	RMB'000
<b>COST</b>	
At 1 January 2021	4,188
Transfer from right-of-use assets (note 17)	166,408
Transfer to right-of-use assets (note 17)	(166,408)
At 31 December 2021 and 1 January 2022	4,188
Transfer from property, plant and equipment (note 16)	40,305
At 31 December 2022	44,493
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2021	135
Provided for the year	2,277
Transfer to right-of-use assets (note 17)	(2,032)
At 31 December 2021 and 1 January 2022	380
Provided for the year	3,067
At 31 December 2022	3,447
<b>CARRYING VALUES</b>	
At 31 December 2022	41,046
At 31 December 2021	3,808

During the year ended 31 December 2022, the Group transferred a property with carrying amount of approximately RMB40,305,000 from property, plant and equipment to investment property due to the change in use, which evidenced by inception of an operating lease to another party.

During the year ended 31 December 2021, the Group transferred a land with carrying amounts of approximately RMB166,408,000 from right-of-use assets to investment property due to the change in use, which evidenced by inception of an operating lease to another party. Such investment property were then transferred to the right-of-use assets upon early termination of the operating lease.

The fair value of the Group's investment properties as at 31 December 2022 was approximately RMB51,509,000 (2021: RMB7,340,000). The fair value has been arrived at with reference to a valuation carried out by ZhongJing Minxin (Beijing) Assets Appraisal Co., Ltd. and Wanlong, an independent qualified professional valuer, not connected to the Group. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The above investment properties are depreciated on a straight-line basis over the terms of the lease of 20 years.

The fair value hierarchy as at 31 December 2022 and 2021 of the investment properties of the Group were at Level 1 or 3. There were no transfers between levels of fair value hierarchy during the year.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 19. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties as at 31 December 2022 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2022 RMB	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Investment property A	Level 3	RMB6,950,000 (2021: RMB7,340,000)	Income approach-by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value
Investment property B	Level 3	RMB38,737,000 (2021: nil)	Income approach-by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value

## 20. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Costs of investments in associates	5,754,374	3,360,435
Share of profits and other comprehensive income, net of dividends received	2,731,508	2,003,236
Loans to associates	8,485,882 1,810,796	5,363,671 701,327
	<b>10,296,678</b>	6,064,998

The loan to an associate of US\$110,000,000, equivalent to approximately RMB766,106,000, (2021: US\$110,000,000, equivalent to approximately RMB701,327,000) is unsecured, interest-free and no fixed term for repayment.

The remaining loans to associates of US\$150,000,000, equivalent to approximately RMB1,044,690,000 (31 December 2021: nil) is unsecured, carried interest at London Interbank Offered Rate ("LIBOR") + 5% and no fixed term for repayment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2022 and 2021, the Group had interests in the following material associates:

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2022	2021	2022	2021	
Société à Responsabilité Limitée Unipersonnelle ("SMB")	Incorporated	Guinea	Guinea	Ordinary	22.5%	22.5%	22.5%	22.5%	Mineral exploration
Winning Alliance Ports SA ("WAP")	Incorporated	Guinea	Guinea	Ordinary	22.5%	22.5%	22.5%	22.5%	Port operation
Africa Bauxite Mining Company Ltd. ("ABM")	Incorporated	BVI	Singapore	Ordinary	25%	25%	25%	25%	Trading of bauxite
Zhongheng Xieli Investment Co., Ltd. * 中衡協力投資有限公司	Established	PRC	PRC	Ordinary	20%	20%	20%	20%	Trading of aluminium ingot
GTS Global Trading Pte. Ltd. ("GTS")	Incorporated	Singapore	Singapore	Ordinary	25%	25%	25%	25%	Trading of bauxite
Shandong Innovation Carbon New Material Co., Ltd. ("Innovation Carbon New Material") *山東創新炭材料有限公司	Incorporated	PRC	PRC	Ordinary	20%	20%	20%	20%	Trading of carbon
Winning Consortium Railway Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	29%	29%	29%	29%	Railway design and construction
Shandong Weiqiao Kuaike Environmental Protection Technology Co., Ltd. * 山東魏橋快刻環保科技有限公司	Incorporated	PRC	PRC	Ordinary	40%	40%	40%	40%	Green facilities innovation
Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy") *鄒平濱能能源科技有限公司	Incorporated	PRC	PRC	Ordinary	45%	45%	45%	45%	Trading of electricity
Shandong Zhilu High Performance Alloy Material Co., Ltd. * 山東智鋁高性能合金材料有限公司	Incorporated	PRC	PRC	Ordinary	35%	35%	35%	35%	Trading of light alloy materials
Shandong Weiqiao Haiyi Environmental Protection Technology Co., Ltd. ("Weiqiao Haiyi") *山東魏橋海逸環保科技有限公司	Incorporated	PRC	PRC	Ordinary	30%	30%	30%	30%	Waste recycling
Winning Consortium Simandou Railway Pte. Ltd. ("WCSR")	Incorporated	Singapore	Singapore	Ordinary	35%	35%	35%	35%	Railway operation

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2022 and 2021, the Group had interests in the following material associates: (Continued)

Name of entity	Form of entity	Country of incorporation/ registration	Principal place of operation	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held		Principal activities
					2022	2021	2022	2021	
Winning Consortium Simandou Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	35%	35%	35%	35%	Trading of iron ore
Winning Consortium Simandou Ports Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	35%	35%	35%	35%	Ports operation
Shandong High-end Aluminum Community Management Operation Co., Ltd.* ("Shandong High-end Aluminum Community") 山東省高端鋁共同體管理運營有限公司	Incorporated	PRC	PRC	Ordinary	19.27%	19.27%	28.57% (note i)	28.57% (note i)	Research and development of high-end aluminum
Lightweight (Shandong) Investment Partnership (Limited Partnership)* ("Lightweight Partnership") 輕量化(山東) 投資合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	49.5%	49.5%	49.5%	49.5%	Investment holding
Shandong Binhong Photovoltaic New Energy Co., Ltd * 山東濱宏光伏新能源有限公司	Incorporated	PRC	PRC	Ordinary	20%	20%	20%	20%	Manufacturing of photovoltaic equipment and components
Beijing Honghua Science and Technology Innovation No. 1 Enterprise Management Partnership (Limited Partnership)* (Beijing Honghua Partnership) 北京宏華科創一號 企業管理合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	46.7%	46.7%	46.7%	46.7%	Investment holding

Note:

- i. The Group is able to exercise significant influence over Shandong High-end Aluminum Community because it has the power to appoint two out of the seven directors of that company under the provisions stated in the Articles of Association of that company.

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 20. INTERESTS IN ASSOCIATES (Continued)

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

### ABM

	2022 RMB'000	2021 RMB'000
Current assets	11,291,743	8,585,780
Non-current assets	562	616
Current liabilities	(2,103,461)	(1,853,119)
Non-current liabilities	(766,106)	(701,327)
Revenue	8,626,720	5,964,689
Profit for the year	1,747,531	698,392
Other comprehensive income (expense) for the year	643,257	(119,098)
Total comprehensive income for the year	2,390,788	579,294
Elimination of unrealised profits	(42,377)	(84,689)

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

	2022 RMB'000	2021 RMB'000
Net assets of the associate	8,422,738	6,031,950
Proportion of the Group's ownership interest in ABM	25%	25%
Carrying amount of the Group's interest in ABM	2,105,685	1,507,988

### Binneng Energy

	2022 RMB'000	2021 RMB'000
Non-current assets	11,316,655	11,900,941
Current assets (note)	10,562,414	6,732,286
Non-current liabilities	(7,259,575)	(7,238,072)
Current liabilities	(3,808,131)	(5,698,583)
Revenue	14,997,738	12,340,113
Profit (loss) for the year and total comprehensive income (expense) for the year	114,791	(194,526)
Elimination of unrealised profits	-	18,810

# Notes to the Consolidated Financial Statements

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## 20. INTERESTS IN ASSOCIATES (Continued)

### Binneng Energy (Continued)

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

	2022 RMB'000	2021 RMB'000
Net assets of the associate	10,811,363	5,696,572
Proportion of the Group's ownership interest in Binneng Energy	45%	45%
Carrying amount of the Group's interest in Binneng Energy	4,865,113	2,563,457

Note: As at 31 December 2022, the balances mainly comprised of receivable of unpaid registered capital by another shareholder, amounting to RMB2,750,000,000. The entire amount of receivable have been settled in February and March 2023.

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

	2022 RMB'000	2021 RMB'000
The Group's share of profit	61,813	36,581
The Group's share of other comprehensive expense	17,106	(2,295)
The Group's share of total comprehensive income	78,919	34,286
Elimination of realised profits	(4,640)	3,756

	2022 RMB'000	2021 RMB'000
Carrying amount of the Group's interests in immaterial associates	1,515,084	1,292,226

Notes:

- (a) During the year ended 31 December 2022, the Group contributed in existing associates with an aggregate amount of approximately RMB2,370,021,000.

During the year ended 31 December 2021, the Group acquired certain associates and contributed in existing associates with an aggregate amount of approximately RMB454,350,000 and RMB407,060,000 respectively.

- (b) During the year ended 31 December 2021, the Group disposed of 14.13% interest in Suzhou Aojie Auto Technology Co., Ltd.\* 蘇州奧傑汽車技術股份有限公司, an associate of the Group, to Lightweight (Shandong) Investment Partnership (Limited Partnership), another associate of the Group, for a consideration of RMB104,562,000. Both are associates of the Group. No gain or loss was recognised in profit or loss for the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 21. LOAN TO AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
<b>Non-current portion</b>		
Loan to an associate	2,000,000	2,000,000

The loan to an associate was secured by plant and equipment of the associate, bearing interest at 6% (2021: 6%) per annum and repayable in June 2025. Such loan was secured by certain plant and equipment held by Binneng Energy.

## 22. GOODWILL

	2022 RMB'000	2021 RMB'000
<b>COST</b>		
At beginning and the end of the financial year	1,934,457	1,934,457
<b>IMPAIRMENT</b>		
At beginning and the end of the financial year	1,656,233	1,656,233
<b>CARRYING AMOUNT</b>		
At 31 December	278,224	278,224

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

### Impairment test on goodwill

For the purposes of impairment testing, the carrying amount of goodwill has been allocated to the following CGUs:

	2022 RMB'000	2021 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Binzhou Municipal Xinhe New Material Co., Ltd* ("Beihai Xinhe") 滨州市北海信和新材料有限公司)	-	-
Manufacture and selling of aluminum products in Binzhou, the PRC (Binzhou Hongnuo New Material)	80,418	80,418
Manufacture and selling of aluminum products in Boxing, the PRC (Hongchuang)	197,806	197,806
	278,224	278,224

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

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## 22. GOODWILL (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

### **Binzhou Hongnuo New Material**

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and a pre-tax discount rate of 20.94% (2021: 21.33%). Binzhou Hongnuo New Material's cash flows beyond the 5-year period are extrapolated using a 3% growth rate. The financial budgets estimated are consistent with the track record of the Group's projections. Senior management believes that this growth rate is justified as it is within the long-term growth rate of the industry.

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

During the years ended 31 December 2022 and 2021, no impairment loss recognised in relation to goodwill arising on acquisition of Binzhou Hongnuo New Material.

### **Hongchuang**

The recoverable amount of this CGU has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang and relevant transaction costs.

The fair value hierarchy as at 31 December 2022 and 2021 of Hongchuang are at Level 1. There were no transfers between levels of fair value hierarchy during the year.

During the years ended 31 December 2022 and 2021, no impairment loss was recognised in relation to goodwill arising on acquisition of Hongchuang.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”)

Financial assets at FVTOCI comprise:

	2022 RMB'000	2021 RMB'000
Equity instruments as at FVTOCI		
– Listed	1,442,588	904,278
– Unlisted	100,000	154,628
	<b>1,542,588</b>	1,058,906

The fair value of these investments is disclosed in note 44.

The investments in listed equity securities are as follows:

Name of listed equity securities	Place of listing	Fair value	
		2022 RMB'000	2021 RMB'000
Weihai City Commercial Bank Co., Ltd	Hong Kong	761,672	724,946
Bank of Jinzhou	Hong Kong	166,243	179,332
Innovation New Material Technology Co., Ltd. ("Innovation New Material")	Shanghai	264,244	–
Thunder Software Technology Co., Ltd.	Shenzhen	249,446	–
Others	Hong Kong	983	–
		<b>1,442,588</b>	904,278



# Notes to the Consolidated Financial Statements

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## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”) (Continued)

As at 31 December 2021, the investment in unlisted equity security represents the Group’s interest in a private entity established in the PRC which engaged in casting aluminium alloy. The Group entered into an equity transfer agreement with an independent third party pursuant to which the Group has agreed to transfer the entire equity interest in that unlisted entity into shares of Innovation New Material in 2022. At the date of transfer, the fair value of such unlisted equity security is approximately RMB286,483,000, resulting a fair value gain of approximately RMB131,855,000.

During the year ended 31 December 2022, the Group acquired equity interest in a private entity established in the PRC of approximately RMB100,000,000 (2021: nil). The private entity is engaged in development and application of semiconductor materials.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

## 24. INVENTORIES

	2022 RMB’000	2021 RMB’000
Raw materials	25,599,366	13,994,772
Work in progress	10,266,517	8,151,882
Finished goods	1,401,737	558,451
	<b>37,267,620</b>	22,705,105

During the year ended 31 December 2022, the write-down of inventories of approximately RMB104,127,000 (2021: RMB129,155,000) was recognised and included in other expenses.

During the year ended 31 December 2022, there was a change in allowance of approximately RMB179,625,000 (2021: nil) for inventories due to elimination of allowances upon the subsequent sales of inventories during the year.

During the year ended 31 December 2022, there was an increase in the net realised value of finished goods due to market condition. As a result, a reversal of write-down of inventories of approximately RMB20,417,000 (2021: RMB39,108,000) was recognised and included in other income and gains.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 25. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	4,617,414	7,292,695
Less: allowance for impairment losses	(6,719)	(7,942)
	<b>4,610,695</b>	<b>7,284,753</b>

As at 1 January 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB10,342,754,000..

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

	2022 RMB'000	2021 RMB'000
Within 3 months	4,009,740	5,667,769
3 to 12 months	597,180	1,613,686
12 to 24 months	3,775	3,298
	<b>4,610,695</b>	<b>7,284,753</b>

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

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers collectively that are not individually significant. As at 31 December 2022, lifetime ECL of approximately RMB6,719,000 (2021: RMB7,942,000) was made in respect of trade receivables with gross amount of RMB6,719,000 (2021: RMB7,942,000) as they are determined to be credit-impaired which aged over 3 years. For the remaining balance of approximately RMB4,610,695,000 (2021: RMB7,284,753,000), the Group determines the ECL based on a provision matrix grouped by the past due status of these receivables. However, no loss allowance was made on these receivables as the identified impairment loss is immaterial.

# Notes to the Consolidated Financial Statements

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## 25. TRADE RECEIVABLES (Continued)

The provision matrix of trade receivables is set out below:

### For the year ended 31 December 2022

	Trade receivables days past due						Total
	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	
ECL rate	0%	0.001%	0.001%	0.011%	20.045%	100%	
Gross carrying amount (RMB'000)	4,495,349	105,083	6,488	3,775	–	6,719	4,617,414
Lifetime ECL (RMB'000)	–	–	–	–	–	6,719	6,719

### For the year ended 31 December 2021

	Trade receivables days past due						Total
	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	
ECL rate	0%	0.009%	0.008%	2.933%	50.277%	100%	
Gross carrying amount (RMB'000)	6,691,921	557,539	31,995	3,298	–	7,942	7,292,695
Lifetime ECL (RMB'000)	–	–	–	–	–	7,942	7,942

The movement in the allowance for impairment of trade receivables is set out below:

	2022 RMB'000	2021 RMB'000
At 1 January	7,942	7,186
Reversal of impairment loss	(1,223)	–
Impairment loss recognised	–	756
At 31 December	6,719	7,942

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 26. BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Bills receivables	5,573,175	11,918,515

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

	2022 RMB'000	2021 RMB'000
Within 3 months	3,465,918	6,653,877
3 to 6 months	2,007,257	4,864,308
Over 6 months	100,000	400,330
	5,573,175	11,918,515

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the Group's historical credit loss experience does not indicate significant difficulties in recovering these bills receivables before their due dates, no loss allowance was provided on the Group's bills receivables for the years ended 31 December 2022 and 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 27. PREPAYMENTS AND OTHER RECEIVABLES

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

	2022 RMB'000	2021 RMB'000
Prepayments to suppliers	5,649,621	3,240,549
Prepayments to an associate (note (i))	661,035	3,626,005
Value-added tax recoverable	2,968,063	2,974,375
Prepayment for acquisition of right-of-use assets	–	541,210
Prepayment for capital injection to the partnership (note (ii))	2,500,000	–
Receivables arising from dealing with futures	213,591	317,691
Factoring receivables (note (iii))	386,147	323,934
Interest receivables	68,587	24,526
Others	131,537	288,354
	<b>12,578,581</b>	11,336,644
Less: allowance for impairment losses	<b>(27,020)</b>	(26,938)
	<b>12,551,561</b>	11,309,706
Analysed as		
Current	<b>10,051,561</b>	10,768,496
Non-current	<b>2,500,000</b>	541,210
	<b>12,551,561</b>	11,309,706

Notes:

- (i) On 21 June 2019, the Group entered into an electricity procurement agreement with an associate of the Group, pursuant to which the Group agreed to provide a prepayment to the associate for the supply of electricity.
- (ii) During the year ended 31 December 2022, the Group subscribed 48.92% interest in Binzhou Wenxian Huaxin Enterprise Management Partnership (Limited Partnership)\* 濱州文賢華鑫企業管理合夥企業(有限合夥). The principal activity of the investee is engaged in provision of business consulting services. The establishment of the partnership was completed on 29 January 2023.
- (iii) The factoring receivables will be received within one year and carrying interest rate of 10% per annum.

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 27. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows:

### For the year ended 31 December 2022

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	26,441	(26,441)	–
Other receivables – Performing	773,421	(579)	772,842
	<b>799,862</b>	<b>(27,020)</b>	<b>772,842</b>

### For the year ended 31 December 2021

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	26,039	(26,039)	–
Other receivables – Performing	928,466	(899)	927,567
	<b>954,505</b>	<b>(26,938)</b>	<b>927,567</b>

The movement in the impairment allowance for other receivables during the year are as follows:

	2022 RMB'000	2021 RMB'000
At 1 January	26,938	57,997
Reversal of impairment loss	–	(31,059)
Impairment loss recognised	82	–
At 31 December	<b>27,020</b>	<b>26,938</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 28. FINANCIAL ASSET AT AMORTISED COST

	2022 RMB'000	2021 RMB'000
<b>Financial asset at amortised cost</b>		
Collective investment trust (note)	<b>2,499,000</b>	2,499,000

Note: The collective investment trust represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. ("CITIC Trust") \*中信信托有限责任公司 with an original maturity date on 3 January 2022 and carries fixed interest rate of 7.22% per annum. In November 2021, the asset income trust was extended to January 2025 and carries fixed interest rate of 5.78% per annum starting from January 2022.

\* The English translation is for reference only.

## 29. OTHER FINANCIAL ASSET/LIABILITY

	2022 RMB'000	2021 RMB'000
<b>Other financial asset</b>		
Interest rate swaps contract	<b>2,122</b>	99
<b>Other financial liability</b>		
Capped forward contract	-	4,497

Major terms of the interest rate swaps are as follows:

### 31 December 2022 and 2021

Notional amount	Maturity	Swaps
US\$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US\$-LIBOR

Major terms of the capped forward contract are as follows:

### 31 December 2021

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	27,384,542	49,227,282
Restricted bank deposits	1,720,058	1,623,874
	<b>29,104,600</b>	50,851,156
Less:		
Restricted bank deposits:		
– pledged for bills payable	(1,293,305)	(1,106,220)
– pledged for issuance of letter of credit	(349,210)	(237,075)
– pledged for guarantee issued	(77,543)	(280,579)
Cash and cash equivalents	<b>27,384,542</b>	49,227,282

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

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

Bank balances and short-term time deposits carry interest at market rates which ranged from 0.06% to 1.70% (2021: 0.05% to 1.50%) per annum.

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate ranged from 0.06% to 1.75% (2021: 0.05% to 1.55%) per annum.

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 44.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 31. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2022 RMB'000	2021 RMB'000
Changes in fair values of arising from:		
– capped forward contract	–	(2,649)
– interest rate swaps contracts	2,023	3,193
– derivatives component of convertible bonds (note 38)	(187,004)	(117,350)
	<b>(184,981)</b>	<b>(116,806)</b>

## 32. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables to third parties	10,166,118	15,145,101
Trade payables to associates	2,457,710	1,065,148
Trade payables to related parties	70,003	69,157
	<b>12,693,831</b>	<b>16,279,406</b>
Bills payables	2,217,171	2,455,810
	<b>14,911,002</b>	<b>18,735,216</b>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Within 6 months	11,980,729	15,981,498
6 to 12 months	443,244	159,869
1 to 2 years	235,369	82,229
More than 2 years	34,489	55,810
	<b>12,693,831</b>	<b>16,279,406</b>

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 33. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Payables on property, plant and equipment	4,738,260	3,943,894
Retention payables	2,142,218	2,065,755
Accrued payroll and welfare (note (i))	952,284	685,650
Contract liabilities (note (ii))	1,757,470	1,767,103
Dividend payables	11	9
Interest payable	486,456	610,976
Other taxes payables	1,562,547	1,699,775
Others	717,912	706,797
	<b>12,357,158</b>	<b>11,479,959</b>

Notes:

- (i) Included in the accrued payroll and welfare as at 31 December 2022 were accrued directors payroll and welfare of approximately RMB4,200,000 (2021: RMB4,174,000). The amount is unsecured, non-interest bearing and repayable on demand.
- (ii) Contract liabilities include advances received to deliver goods. As at 1 January 2021, contract liabilities amounted to RMB1,248,332,000.

Revenue recognised during the year ended 31 December 2022 that was included in the contract liabilities at the beginning of the year is approximately RMB1,767,103,000 (2021: RMB1,248,332,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior years.

## 34. BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
<b>Current</b>		
Secured bank borrowings (note (iii))	7,990,204	3,085,699
Unsecured bank borrowings (note (i))	22,543,646	17,925,174
	<b>30,533,850</b>	<b>21,010,873</b>
<b>Non-current</b>		
Secured bank borrowings (note (iii))	842,748	6,401,495
Unsecured bank borrowings (note (i))	4,151,161	8,969,383
	<b>4,993,909</b>	<b>15,370,878</b>
	<b>35,527,759</b>	<b>36,381,751</b>

# Notes to the Consolidated Financial Statements

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## 34. BANK BORROWINGS (Continued)

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

	2022 RMB'000	2021 RMB'000
Within one year	30,033,851	21,010,873
In the second year	2,574,570	9,187,595
In the third to fifth years, inclusive	940,000	4,859,769
Over fifth years	1,979,338	1,323,514
	<b>35,527,759</b>	<b>36,381,751</b>

	2022 RMB'000	2021 RMB'000
Amounts shown under current liabilities	30,533,850	21,010,873
Amounts shown under non-current liabilities	4,993,909	15,370,878
	<b>35,527,759</b>	<b>36,381,751</b>

	2022 RMB'000	2021 RMB'000
Fixed-rate borrowings	25,178,310	22,249,949
Variable-rate borrowings	10,349,449	14,131,802
	<b>35,527,759</b>	<b>36,381,751</b>

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

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	1.53% to 5.67%	1.23% to 5.22%
Variable-rate borrowings	3.60% to 9.29%	3.50% to 8.50%

The Group has variable-rate borrowings denominated in RMB at floating rates calculated based on the borrowing rates announced by the People's Bank of China (the "PBOC") or China Foreign Exchange Trading System & National Interbank Funding Center ("CFETS"). Interests on borrowings denominated in US\$ at floating rates are calculated based on LIBOR. Details of impact on interest rate benchmark reform – phase 2 are set out in note 44.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 34. BANK BORROWINGS (Continued)

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

	2022 RMB'000	2021 RMB'000
US\$	7,623,820	7,828,707

Notes:

- (i) Bank borrowings of approximately RMB4,689,242,000 (2021: RMB960,000,000) are guaranteed by a related party and set out in note 50.
- (ii) As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2022 RMB'000	2021 RMB'000
Floating rate – expiring within one year	26,998,583	22,524,902

- (iii) Secured bank borrowings of the Group are secured by the Group's property, plant and equipment and right-of-use assets which were set out in notes 16 and 17 respectively.

## 35. SHORT-TERM DEBENTURES AND NOTES

	2022 RMB'000	2021 RMB'000
Short-term debentures and notes	3,000,000	1,500,000

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2022 and 2021 are set out as follows:

Debentures	Date of issue	Principal amount		Interest rate	Date of maturity
		2022 RMB'000	2021 RMB'000		
Short-term debentures A	12 November 2021	–	1,000,000	3.98%	12 November 2022
Short-term debentures B	21 October 2021	–	500,000	4.10%	21 October 2022
Short-term debentures C	22 July 2022	1,000,000	–	3.55%	22 July 2023
Short-term debentures D	19 August 2022	1,000,000	–	3.47%	19 August 2023
Short-term debentures E	23 September 2022	1,000,000	–	3.69%	23 September 2023

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 36. MEDIUM-TERM DEBENTURES AND BONDS

	2022 RMB'000	2021 RMB'000
Amounts within one year	8,507,112	3,598,649
Amounts after one year	5,960,847	9,544,944
	<b>14,467,959</b>	<b>13,143,593</b>

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2022 and 2021 are set out as follows:

Debentures	Date of issue	Principal amount		Coupon interest rate	Effective interest rate	Date of maturity
		2022 RMB'000	2021 RMB'000			
<b>Unlisted</b>						
Medium-term debentures E	5 January 2017	–	1,000,000	5.20%	5.55%	6 January 2022
Medium-term debentures F	10 January 2017	–	1,000,000	5.20%	5.55%	11 January 2022
Medium-term debentures G	17 January 2017	–	1,000,000	5.20%	5.55%	19 January 2022
Medium-term debentures P	12 July 2019	–	600,000	7.00%	7.24%	12 July 2022
Medium-term debentures Q	14 January 2022	1,000,000	–	4.50%	4.80%	14 January 2024
Medium-term debentures R	18 March 2022	1,000,000	–	4.50%	4.80%	18 March 2024
<b>Listed</b>						
Enterprise bonds C	26 October 2015	–	214	6.26%	6.26%	26 October 2022
Enterprise bonds K	17 October 2016	5,521,045	5,521,045	4.00%	4.16%	17 October 2023
Enterprise bonds L	26 March 2019	2,000,000	2,000,000	6.00%	6.22%	26 March 2024
Enterprise bonds M	11 June 2021	500,000	500,000	4.90%	5.05%	11 June 2023
Enterprise bonds N	11 June 2021	500,000	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	1,000,000	1,000,000	4.16%	4.26%	20 August 2024
Enterprise bonds P	13 June 2022	1,000,000	–	4.30%	4.52%	13 June 2025
Enterprise bonds Q	3 August 2022	1,000,000	–	4.50%	4.60%	3 August 2025
Enterprise bonds R	3 November 2022	1,000,000	–	4.00%	4.12%	3 November 2027

Debentures were issued to various independent third parties according to the approvals issued by NAFMII and all of the debentures carry interest at fixed rate.

Enterprise bonds were issued according to the approvals issued by National Development and Reform Commission and are listed on Shanghai Stock Exchange and carry interest at coupon rate with the issuer's option to adjust the rate at pre-agreed dates.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 37. GUARANTEED NOTES

	2022 RMB'000	2021 RMB'000
Amounts shown under current liabilities	1,392,893	1,908,945
Amounts shown under non-current liabilities	3,450,755	4,423,886
	<b>4,843,648</b>	6,332,831

### 2022 Guaranteed Notes

On 22 July 2019, the Company issued 7.125% guaranteed notes with the aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB2,060,310,000) (the "2022 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes matured on 22 July 2022. The 2022 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2022 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2022 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 22 July 2022	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 July 2022	107.125% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

- (i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2022 Guaranteed Notes on 22 July 2022, plus all required remaining scheduled interest payments due on the 2022 Guaranteed Notes through 22 July 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.
- (ii) At any time prior to 22 July 2022, the Company may at its option redeem the 2022 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.
- (iii) At any time prior to 22 July 2022, the Company may redeem up to 35% of the 2022 Guaranteed Notes, at a redemption price of 107.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2022 Guaranteed Notes on date of issuance was net of issue expenses of US\$4,000,000 (equivalent to approximately RMB27,471,000) and the effective interest rate of the 2022 Guaranteed Notes is 7.63% per annum.

On 22 July 2022, the Company has redeemed the 2022 Guaranteed Notes in full at their principal amount together with interests accrued to the maturity date.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 37. GUARANTEED NOTES (Continued)

### 2023 Guaranteed Notes

On 24 September 2019, the Company issued 7.375% guaranteed notes with the aggregate principal amount of US\$200,000,000 (equivalent to approximately RMB1,414,580,000) (the “2023 Guaranteed Notes”) which were guaranteed by certain subsidiaries of the Group. The 2023 Guaranteed Notes will be matured on 2 May 2023. The 2023 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2023 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2023 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 2 May 2023	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 2 May 2023	107.375% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

- (i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2023 Guaranteed Notes on 2 May 2023, plus all required remaining scheduled interest payments due on the 2023 Guaranteed Notes through 2 May 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.
- (ii) At any time prior to 2 May 2023, the Company may at its option redeem the 2023 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.
- (iii) At any time prior to 2 May 2023, the Company may redeem up to 35% of the 2023 Guaranteed Notes, at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2023 Guaranteed Notes on date of issuance was net of issue expenses of US\$2,700,000 (equivalent to approximately RMB19,097,000) and the effective interest rate of the 2023 Guaranteed Notes is 7.81% per annum.

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

# Notes to the Consolidated Financial Statements

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## 37. GUARANTEED NOTES (Continued)

### 2024 Guaranteed Notes

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,230,050,000) (the “2024 Guaranteed Notes”) which were guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will be matured on 8 June 2024. The 2024 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2024 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2024 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 8 June 2024	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 8 June 2024	106.25% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

- (i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2024 Guaranteed Notes on 8 June 2024, plus all required remaining scheduled interest payments due on the 2024 Guaranteed Notes through 8 June 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.
- (ii) At any time prior to 8 June 2024, the Company may at its option redeem the 2024 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.
- (iii) At any time prior to 8 June 2024, the Company may redeem up to 35% of the 2024 Guaranteed Notes, at a redemption price of 106.25% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2024 Guaranteed Notes on date of issuance was net of issue expenses of US\$4,279,000 (equivalent to approximately RMB27,203,000) and the effective interest rate of the 2024 Guaranteed Notes is 6.52% per annum.

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



# Notes to the Consolidated Financial Statements

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## 38. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds (“2017 CBs”) bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US\$320,000,000. The 2017 CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK\$8.16 per share with fixed exchange rate of HK\$7.8212 equal to US\$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 28 November 2020, redeem the outstanding 2017 CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds (“2021 CBs”) bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US\$300,000,000. The 2021 CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK\$8.91 per share with fixed exchange rate of HK\$7.7530 equal to US\$1.00 at any time on or after 7 March 2021 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.

On 11 June 2021, as a result of the Company’s declaration of final dividend, the conversion price of the 2017 CBs was adjusted from HK\$6.29 to HK\$6.04 per share and the 2021 CBs was adjusted from HK\$8.91 to HK\$8.47 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 25 November 2021, as a result of the Company declaration of the interim dividends, the conversion price of the 2017 CBs was adjusted from HK\$6.04 per share to HK\$5.79 per share and the 2021 CBs was adjusted from HK\$8.47 to HK\$8.12 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 31 May 2022, as a result of the Company’s declaration of final dividend, the conversion price of the 2017 CBs was adjusted from HK\$5.79 to HK\$5.41 per share and the 2021 CBs was adjusted from HK\$8.12 to HK\$7.63 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 38. CONVERTIBLE BONDS (Continued)

On 21 November 2022, as a result of the Company's declaration of interim dividend, the conversion price of the 2017 CBs was adjusted from HK\$5.41 to HK\$5.13 per share and the 2021 CBs was adjusted from HK\$7.63 to HK\$7.24 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

As at 31 December 2022, the principal amount of the 2021 CBs that remained outstanding amounted to US\$300,000,000 (2021: US\$300,000,000) of which a maximum of 321,256,906 (2021: 286,440,886) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the CBs are set out in announcements of the Company dated 11 June 2021, 25 November 2021, 31 May 2022 and 21 November 2022.

As at 31 December 2021, the principal amount of the 2017 CBs that remained outstanding was US\$246,400,000 (2022: nil) and maximum of 332,840,013 (2022: nil) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2017 CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018 and 13 July 2018, 17 June 2019, 15 June 2020, 16 November 2020, 1 December 2020, 11 June 2021 and 25 November 2021.

The movements of the liability and derivatives components of the 2017 CBs and 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2017 CBs RMB'000	Derivatives component of 2017 CBs RMB'000	Liability component of 2021 CBs RMB'000	Derivatives component of 2021 CBs RMB'000	Total RMB'000
As at 1 January 2021	1,215,939	550,111	–	–	1,766,050
At issuance date	–	–	1,630,729	301,887	1,932,616
Transaction costs	–	–	(28,525)	–	(28,525)
Changes in fair values	–	174,512	–	(57,162)	117,350
Effective interest expenses	249,274	–	144,867	–	394,141
Interest paid	(80,712)	–	(98,929)	–	(179,641)
Exchange translation	(25,890)	(11,537)	(14,395)	(3,455)	(55,277)
As at 31 December 2021	<b>1,358,611</b>	<b>713,086</b>	<b>1,633,747</b>	<b>241,270</b>	<b>3,946,714</b>
Conversion into shares of the Company (note 41)	<b>(1,487,157)</b>	<b>(744,050)</b>	–	–	<b>(2,231,207)</b>
Changes in fair values	–	–	–	187,004	187,004
Effective interest expenses	84,968	–	142,409	–	227,377
Interest paid	(15,416)	–	(89,705)	–	(105,121)
Exchange translation	58,994	30,964	144,076	28,736	262,770
As at 31 December 2022	–	–	1,830,527	457,010	2,287,537

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 38. CONVERTIBLE BONDS (Continued)

During the year ended 31 December 2022, 354,186,076 (2021: nil) ordinary shares of the Company were issued as a result of the conversion of 2017 CBs with principal amount of US\$246,400,000. No redemption, purchase or cancellation by the Company has been made in respect of the 2021 CBs for both years.

At 31 December 2022 and 2021, the fair values of the derivatives component was valued by Asia-Pacific Consulting and Appraisal Limited, an independent qualified professional valuer not connected with the Group. The fair values of the derivatives component of convertible bonds were estimated at the date of issue and the end of reporting period, respectively using the binomial option pricing model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	2017 CBs		2021 CBs	
	At 31 December 2021	At 31 December 2022	At 31 December 2021	At issuance date
Share price	HK\$8.23	HK\$7.37	HK\$8.23	HK\$7.32
Conversion price	HK\$5.79	HK\$7.24	HK\$8.12	HK\$8.91
Expected volatility	59.43%	52.68%	47.53%	45.08%
Expected life	0.91 years	3.07 years	4.07 years	5.00 years
Risk free rate	0.36%	4.21%	1.13%	0.42%
Expected dividend yield	4.16%	5.83%	4.16%	2.61%

## 39. DEFERRED TAXATION

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

	2022 RMB'000	2021 RMB'000
Deferred tax assets	2,605,197	2,616,950
Deferred tax liabilities	(523,795)	(813,998)
	<b>2,081,402</b>	1,802,952

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 39. DEFERRED TAXATION (Continued)

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

	Decelerated tax depreciation	Tax losses	Income tax facility	Undistributed profits of PRC subsidiaries	Unrealised profit on intra-group sales	Deferred income	Provisions	Fair value increase on non-current assets arising from business combination	Estimated liabilities for employee benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	404,978	660,633	27,416	(627,965)	1,656,512	120,704	8,796	(272,379)	6,987	1,985,682
Acquired on step acquisition from associate to subsidiary (notes 45)	-	-	-	-	-	-	-	(18,409)	-	(18,409)
(Charged) credited to profit or loss	(221,334)	111,228	(27,302)	38,248	(134,097)	(10,148)	10,966	66,507	1,611	(164,321)
At 31 December 2021 and 1 January 2022	<b>183,644</b>	<b>771,861</b>	<b>114</b>	<b>(589,717)</b>	<b>1,522,415</b>	<b>110,556</b>	<b>19,762</b>	<b>(224,281)</b>	<b>8,598</b>	<b>1,802,952</b>
Acquired on acquisition from subsidiaries (note 46)	-	-	-	-	-	-	-	(12,764)	-	(12,764)
(Charged) credited to profit or loss	(62,768)	(82,795)	(114)	231,620	157,666	(11,978)	(13,569)	71,347	1,805	291,214
At 31 December 2022	<b>120,876</b>	<b>689,066</b>	<b>-</b>	<b>(358,097)</b>	<b>1,680,081</b>	<b>98,578</b>	<b>6,193</b>	<b>(165,698)</b>	<b>10,403</b>	<b>2,081,402</b>

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,627,740,000 (2021: RMB4,829,988,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB2,756,264,000 (2021: RMB3,087,444,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB1,903,813,000 (2021: RMB1,742,544,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,462,394,000 (2021: RMB1,396,234,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB441,419,000 (2021: RMB346,310,000) may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB74,867,227,000 (2021: RMB66,493,194,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 40. DEFERRED INCOME

	2022 RMB'000	2021 RMB'000
Government grants related to property, plant and equipment		
– Current liabilities	36,684	26,514
– Non-current liabilities	794,292	835,379
	<b>830,976</b>	<b>861,893</b>

As at 31 December 2022, the Group received government subsidies of approximately RMB16,993,000 (2021: RMB302,800,000 while RMB300,000,000 was obtained through step acquisition from associate to subsidiary) towards the cost of certain construction projects and has been treated as deferred income and is transferred to income over the useful lives of relevant plant and machineries. This policy has resulted in a credit to income in the current year of approximately RMB47,910,000 (2021: RMB40,590,000).

## 41. SHARE CAPITAL

	Number of shares		Share Capital	
	2022	2021	2022 US\$	2021 US\$
<b>Authorised:</b>				
Ordinary shares of US\$0.01 each	20,000,000,000	20,000,000,000	200,000,000	200,000,000

	Number of shares		Share Capital	
	2022	2021	2022 US\$	2021 US\$
<b>Issued and fully paid:</b>				
Ordinary shares of US\$0.01 each	9,475,538,425	9,121,352,349	94,755,384	91,213,523

	Number of shares	Share Capital RMB'000
<b>Issued and fully paid:</b>		
At 1 January 2021	8,878,352,349	579,318
Issue of shares upon share subscription (note i)	243,000,000	15,821
At 31 December 2021 and 1 January 2022	<b>9,121,352,349</b>	<b>595,139</b>
Issue of shares upon conversion of 2017 CBs (note ii)	<b>354,186,076</b>	<b>23,742</b>
At 31 December 2022	<b>9,475,538,425</b>	<b>618,881</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 41. SHARE CAPITAL (Continued)

Notes:

- (i) On 18 March 2021, 243,000,000 ordinary shares of US\$0.01 each were issued and allotted at a price of HK\$9.72 per share, raising a total proceeds of approximately RMB1,971,811,000, net of share issue expense of approximately RMB31,701,000.
- (ii) During the year ended 31 December 2022, 2017 CBs with principal amounts of US\$92,800,000, US\$55,000,000 and US\$98,600,000 was converted into 141,482,916, 79,513,123 and 133,190,037 ordinary shares of the Company at par at the conversion price of HK\$5.13, HK\$5.41 and HK\$5.79 per ordinary share, respectively.

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year (2021: nil).

## 42. RESERVES

### (a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao") in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong Weiqiao Chuangye Group Company Limited ("Weiqiao Chuangye") 山東魏橋創業集團有限公司 in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; (v) share of capital reserve of an associate and subsidiaries from Shandong Innovation Carbon New Material Co., Ltd. \* ("Innovation Carbon New Material") 山東創新炭材料有限公司; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

### (b) Statutory surplus reserve

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

### (c) Translation reserve

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

### (d) Investment revaluation reserve

Investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 43. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 34, 35, 36, 37 and 38, and net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 41, share premium and reserves in the consolidated statement of financial position.

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

## 44. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost (including cash and cash equivalents)	44,560,312	75,480,991
Financial asset at FVTPL – Other financial asset	2,122	99
Financial assets at FVTOCI – Equity instruments at FVTOCI	1,542,588	1,058,906
<b>Financial liabilities</b>		
Financial liabilities at FVTPL – Derivatives component of convertible bonds – Other financial liabilities	457,010 –	954,356 4,497
Financial liabilities at amortised cost	83,618,036	87,098,830

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies

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

### (c) Market risk

#### (i) Currency risk

The Company has intra-group balance with a subsidiary denominated in foreign currency which expose the Group to foreign currency risk.

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

	Exposure to foreign currencies					
	2022			2021		
	USD RMB'000	HK\$ RMB'000	IDR RMB'000	USD RMB'000	HK\$ RMB'000	IDR RMB'000
Other receivables	64,417	–	–	213,707	–	–
Cash and cash equivalents	523,823	60,056	126,289	441,135	57,088	94,969
Other financial asset	2,122	–	–	99	–	–
Trade payables	2,171,252	–	–	316,349	–	–
Other payables and accruals	527,409	–	–	13,874	–	–
Bank borrowings	5,142,981	–	–	4,725,707	–	–
Other financial liabilities	–	–	–	4,497	–	–
Liability component of convertible bonds	1,830,527	–	–	2,992,358	–	–
Derivatives component of convertible bonds	457,010	–	–	954,356	–	–
Guaranteed notes	4,843,648	–	–	6,332,831	–	–



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 44. FINANCIAL INSTRUMENTS (Continued)

### (c) Market risk (Continued)

#### (i) Currency risk (Continued)

##### *Sensitivity analysis*

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

The following table details the Group's sensitivity to a 1% (2021: 1%) increase and decrease in RMB against the relevant foreign currencies. 1% (2021: 1%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

A positive number below indicates an increase in post-tax profit where RMB strengthen 1% (2021: 1%) against the relevant currency. For a 1% (2021: 1%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the amounts below would be negative.

	2022 RMB'000	2021 RMB'000
Effect on post-tax profit:		
US\$ (note (i))	115,898	121,361
HK\$ (note (ii))	(501)	(477)
IDR (note (iii))	(985)	(741)

Notes:

- (i) This is mainly attributable to the exposure outstanding on US\$ of cash and cash equivalents, trade receivables, other receivables, trade payables, other payables and accruals, bank borrowings, convertible bonds and guaranteed notes at year end.
- (ii) This is mainly attributable to the exposure outstanding on HK\$ of cash and cash equivalents at year end.
- (iii) This is mainly attributable to the exposure outstanding on IDR of cash and cash equivalents at year end.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (c) Market risk (Continued)

#### (ii) Interest rate risk

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

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period were outstanding for the whole year. A 25 basis points (2021: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2021: 25 basis points) higher/lower and all other variables were held constant:

	2022 RMB'000	2021 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	(29,193)	(63,269)
As a result of decrease in interest rate	29,193	63,269

This is mainly attributable to the Group's exposure to interest rates on its interest bearing restricted bank deposits and bank balances and variable-rate bank borrowings.

# Notes to the Consolidated Financial Statements

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## 44. FINANCIAL INSTRUMENTS (Continued)

### (c) Market risk (Continued)

#### (iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is mainly concentrated on equity instruments operating in bank industry sector quoted in the Stock Exchange. For unquoted equity security designated as FVTOCI, the investee is operating in diversified metals and minerals industry sector. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. Sensitivity analysis for unquoted equity security with fair value measurement categorised within level 3 were disclosed in note 44.

If the price of the respective equity instrument had been 10% (2021: 10%) higher/lower, other comprehensive income for the year ended 31 December 2022 would increase/decrease by approximately RMB144,259,000 (2021: RMB90,427,000) as a result of the changes in fair value of financial assets at FVTOCI.

### (d) Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from loans to an associates, trade receivables, bills receivables, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (d) Credit risk (Continued)

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. The Group considers that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL.

Management considered loans to an associates to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds and financial assets at amortised cost are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

#### *The Group's exposure to credit risk*

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by the management uses the Group's own days past due to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL	
		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

# Notes to the Consolidated Financial Statements

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## 44. FINANCIAL INSTRUMENTS (Continued)

### (d) Credit risk (Continued)

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk.

*For the year ended 31 December 2022*

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	4,617,414	(6,719)	4,610,695
Bills receivables (note 2)	Performing	12-month ECL	5,573,175	–	5,573,175
Other receivables	Performing	12-month ECL	773,421	(579)	772,842
Other receivables	Default	Lifetime ECL -credit-impaired	26,441	(26,441)	–
Collective investment trust	Performing	12-month ECL	2,499,000	–	2,499,000
Restricted bank deposits	Performing	12-month ECL	1,720,058	–	1,720,058
Cash and cash equivalents	Performing	12-month ECL	27,384,542	–	27,384,542
Loans to associates	Performing	12-month ECL	3,810,796	–	3,810,796
				(33,739)	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (d) Credit risk (Continued)

For the year ended 31 December 2021

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	7,292,695	(7,942)	7,284,753
Bills receivables (note 2)	Performing	12-month ECL	11,918,515	–	11,918,515
Other receivables	Performing	12-month ECL	928,466	(899)	927,527
Other receivables	Default	Lifetime ECL -credit-impaired	26,039	(26,039)	–
Collective investment trust	Performing	12-month ECL	2,499,000	–	2,499,000
Restricted bank deposits	Performing	12-month ECL	1,623,874	–	1,623,874
Cash and cash equivalents	Performing	12-month ECL	49,227,282	–	49,227,282
Loans to associates (note 3)	Performing	12-month ECL	2,701,327	–	2,701,327
				<u>(34,880)</u>	

Notes:

1. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.
2. The credit risk on bills receivables is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and thus the impairment provision recognised during the year was limited to 12-month ECL.
3. For the loans to associates, the Group regularly monitors the business performance of the associates. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities, the collateral and the power to participate the relevant activities of these entities and thus the impairment provision recognised during the year was limited to 12-month ECL.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 44. FINANCIAL INSTRUMENTS (Continued)

### (d) Credit risk (Continued)

The Group has concentration of credit risk as 11% (2021: 10%) and 45% (2021: 43%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2021: 98%) of the total receivables as at 31 December 2022.

The Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from bank represented 8% (2021: 6%) of the total bills receivables as at 31 December 2022. In addition, the Group's bills receivables from the top five major banks represented 29% (2021: 22%) of the total bills receivables as at 31 December 2022.

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

### (e) Liquidity risk management

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

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on cash generated from operating activities as a significant source of liquidity. Other than the cash generated from operating activities, the Group's management is responsible for obtaining funding from other sources, including guaranteed notes, convertible bonds, bank borrowings, other borrowing, medium-term debentures and bonds and issue of new shares. The management also monitors the 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 and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived based on the interest rate at the end of each reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (e) Liquidity risk management (Continued)

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 to 12 months RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
<b>At 31 December 2022</b>								
<b>Non-derivative financial liabilities</b>								
Fixed-rate bank borrowings	4.55%	12,966,924	11,355,243	777,723	888,871	-	25,988,761	25,178,310
Floating-rate bank borrowings	7.19%	3,304,133	3,641,463	2,113,977	686,304	2,314,334	12,060,211	10,349,449
Medium-term debentures and bonds	4.68%	1,349,131	7,958,665	6,173,685	-	-	15,481,481	14,467,959
Short-term debentures and notes	3.57%	3,107,100	-	-	-	-	3,107,100	3,000,000
Trade and bills payables	-	14,911,002	-	-	-	-	14,911,002	14,911,002
Other payables (exclude contract liabilities and other tax payables)	-	9,037,141	-	-	-	-	9,037,141	9,037,141
Guaranteed notes	6.89%	1,535,977	109,773	3,579,555	-	-	5,225,305	4,843,648
Convertible bonds	9.87%	54,424	55,326	109,749	2,208,328	-	2,427,827	1,830,527
		46,265,832	23,120,470	12,754,689	3,783,503	2,314,334	88,238,828	83,618,036
Lease liabilities		10,241	8,920	14,492	10,494	42,980	87,127	67,916
<b>At 31 December 2021</b>								
<b>Non-derivative financial liabilities</b>								
Fixed-rate bank borrowings	5.06%	6,468,329	13,923,253	1,741,172	1,115,389	-	23,248,143	22,249,949
Floating-rate bank borrowings	6.49%	490,068	964,100	8,239,976	3,654,615	3,803,727	17,152,486	14,131,802
Medium-term debentures and bonds	5.04%	3,241,645	820,857	6,396,983	3,567,334	-	14,026,819	13,143,593
Short-term debentures and notes	4.02%	1,560,300	-	-	-	-	1,560,300	1,500,000
Trade and bills payables	-	18,735,216	-	-	-	-	18,735,216	18,735,216
Other payables (exclude contract liabilities and other tax payables)	-	8,013,081	-	-	-	-	8,013,081	8,013,081
Guaranteed notes	7.11%	232,812	2,261,023	1,645,750	3,579,555	-	7,719,140	6,332,831
Convertible bonds	16.43%	96,995	1,807,570	109,749	2,318,077	-	4,332,391	2,992,358
		38,838,446	19,776,803	18,133,630	14,234,970	3,803,727	94,787,576	87,098,830
Lease liabilities		6,250	6,260	9,507	12,397	45,830	80,244	61,731



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 44. FINANCIAL INSTRUMENTS (Continued)

### (e) Liquidity risk management (Continued)

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

### (f) Interest rate benchmark reform

As at 31 December 2022, the Group has several LIBOR bank borrowings may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

#### **LIBOR**

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative: immediately after 30 June 2023, in the case of the remaining US dollar settings.

#### (i) *Risks arising from the interest rate benchmark reform*

The following are the key risks for the Group arising from the transition:

##### Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (f) Interest rate benchmark reform (Continued)

#### *LIBOR (Continued)*

##### (i) *Risks arising from the interest rate benchmark reform (Continued)*

###### Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

###### Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

##### (ii) *Progress towards implementation of alternative benchmark interest rates*

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The Group is planning to transition the its LIBORs contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBORs to alternative reference rate at an agreed point in time.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 44. FINANCIAL INSTRUMENTS (Continued)

### (f) Interest rate benchmark reform (Continued)

#### *LIBOR (Continued)*

#### (ii) *Progress towards implementation of alternative benchmark interest rates (Continued)*

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2022 and 2021. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts		Hedge accounting	Transition progress for financial instruments
		2022 RMB'000	2021 RMB'000		
<b>Non-derivative financial liabilities</b>					
– Bank borrowings linked to 6-months LIBOR	2023/2029	4,590,811	5,596,617	N/A	Expected to transit Secured Overnight Financing Rate in 2023
– Loan to WCSR linked to 3-months USD LIBOR	N/A	1,044,690	–	N/A	Expected to transit Secured Overnight Financing Rate in 2023
<b>Derivatives</b>					
– Interest rate swaps contracts – Receive 1-months USD LIBOR, pay USD fixed interest rate swaps	2023	383,343	357,761	LIBOR bank loan of the same maturity and nominal as the swap	To transit derivatives via International Swaps and Derivatives Association protocol

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments

*Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis*

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

	31 December 2022			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Financial assets at FVTOCI</b>				
Derivative financial liabilities				
– Interest rate swap contracts	–	2,122	–	2,122
Unlisted equity instruments	–	–	100,000	100,000
Listed equity instruments	1,442,588	–	–	1,442,588
	1,442,588	2,122	100,000	1,544,710
<b>Financial liabilities at FVTPL</b>				
Derivatives component of convertible bonds	–	–	457,010	457,010

	31 December 2021			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
<b>Financial assets at FVTOCI</b>				
Derivative financial liabilities				
– Interest rate swap contracts	–	99	–	99
Unlisted equity instruments	–	–	154,628	154,628
Listed equity instruments	904,278	–	–	904,278
	904,278	99	154,628	1,059,005
<b>Financial liabilities at FVTPL</b>				
Derivatives component of convertible bonds	–	–	954,356	954,356
Derivative financial liabilities				
– Capped forward contract	–	4,497	–	4,497
	–	4,497	954,356	958,853

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments (Continued)

#### *Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)*

The Group owns 1.24 per cent equity interest in Shandong Innovation Metals Technology Co., Ltd (“Shandong Innovation Metals”) that is classified as investment at FVTOCI and is measured at fair value at each reporting date. The fair value of the investment as at 31 December 2022 amounts to RMB264,244,000 (2021: RMB154,628,000). The fair value of the investment as at 31 December 2021 was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. Shandong Innovation Metals has acquired by Innovation New Material, a listed entity on Shanghai stock exchange in November 2022 and the equity interest held by the Group in Shandong Innovation Metals has been converted to 1.09% equity interest in Innovation New Material, with its shares traded in an active market. Therefore, the fair value of the investment as at 31 December 2022 was determined based on a published price quotation available on Shanghai stock exchange and was classified as Level 1 of the fair value hierarchy.

Except for the above, there were no transfers between levels of fair value hierarchy in both years.

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		31.12.2022 RMB'000	31.12.2021 RMB'000	
Financial asset at FVTOCI – listed equity instrument	Level 1	1,442,588	904,278	Quoted bid prices in an active market
Financial asset at FVTOCI – unlisted equity instrument	Level 3	100,000	154,628	Market approach – Based on P/B multiples of listed entities in similar industry with consideration of marketability discount (Key unobservable inputs: the higher P/B ratio, the higher the fair value)
Capped forward contract	Level 2	–	4,497	Discounted cash flows – Based on forward contracts exchange rates (from observable forward exchange rates at the end of the reporting period and contract forward rates), discounted at a rate that reflects the credit risk of various counterparties
Interest rate swaps contracts	Level 2	2,122	99	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contracted interest rates), discounted at a rate that reflects the credit risk of various counterparties

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments (Continued)

*Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)*

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		31.12.2022 RMB'000	31.12.2021 RMB'000	
Redemption option derivative of convertible bonds	Level 3	–	206,607	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield. Key unobservable inputs: volatility at 42.46% (2021: 47.53% to 59.43%) (The higher the volatility, the higher the fair value)
Conversion option derivative of convertible bonds	Level 3	457,010	747,749	Binomial option pricing model, the key input are underlying share price, exercise price, risk free rate, volatility and dividend yield. Key unobservable inputs: volatility at 42.46% (2021: 47.53% to 59.43%) (The higher the volatility, the higher the fair value)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments (Continued)

#### *Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis:*

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

- if the unobservable inputs of volatility to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the redemption option derivative of convertible bonds and conversion option derivative of convertible bonds would increase/decrease by approximately RMB64,178,000 and nil (31 December 2021: RMB21,945,000 and RMB8,438,000), respectively. The higher the volatility, the higher will be the fair value.
- if the unobservable inputs of P/B multiples to the valuation model were 5% higher/lower while all the other variables were held constant, the FVTOCI-unlisted equity instrument would increase/decrease by approximately RMB5,706,000 (31 December 2021: RMB7,731,000). The higher the P/B multiples, the higher will be the fair value.

	Redemption option derivative of convertible bonds RMB'000	Conversion option derivative of convertible bonds RMB'000	Unlisted equity instrument RMB'000
At 1 January 2021	40,496	509,615	–
Total gains (losses)			
– in profit or loss	148,205	(30,855)	–
– in other comprehensive income	–	–	4,628
Issue of 2021 CB	18,113	283,774	–
Purchase	–	–	150,000
Exchange difference	(207)	(14,785)	–
At 31 December 2021 and 1 January 2022	206,607	747,749	154,628
Total gains (losses)			
– in profit or loss	(206,607)	393,611	–
– in other comprehensive income	–	–	131,855
Conversion into shares of a listed entity instrument	–	–	(286,483)
Purchase	–	–	100,000
Conversion into shares of the Company	–	(744,050)	–
Exchange difference	–	59,700	–
At 31 December 2022	–	457,010	100,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments (Continued)

#### *Reconciliation of Level 3 fair value measurements of financial assets or liabilities on recurring basis: (Continued)*

For the year ended 31 December 2022, included in the above total gains is an amount of RMB131,855,000 (2021: RMB4,628,000) gain relating to unlisted equity investment designated at FVTOCI held at the end of the year.

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

#### **Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis**

The directors of the Company consider the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their carrying amounts.

### (h) Transfers of financial assets

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

	2022 RMB'000	2021 RMB'000
Bills receivables endorsed to suppliers with full recourse ( <i>note</i> )		
Carrying amount of transferred assets	4,733,415	11,356,482
Carrying amount of trade payables	(4,733,415)	(11,353,952)
Carrying amount of other payables	–	(2,530)
Net position as at 31 December	–	–

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 45. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY

In October 2021, the Group acquired 55% of the equity interest in Honghua Zhida, an associate of the Company, from 北京宏華智達科技投資管理有限公司, an independent third party, at a consideration of RMB422,000,000. Upon additional acquisition of equity interest in Honghua Zhida, the Group's equity interest in Honghua Zhida was increased from 45% to 100% and Honghua Zhida become a subsidiary of the Company. The acquisition was completed on the same date. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB59,945,000. Honghua Zhida is engaged in the technology promotion and application service industry. Honghua Zhida was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to RMB580,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2021, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	1,449,849
Interests in associates	513,183
Right-of-use assets	112,264
Prepayments and other receivables	844,194
Cash and cash equivalents	60,394
Trade payables	(96,848)
Other payables and accruals	(47,306)
Deferred tax liabilities	(18,409)
Deferred income	(300,000)
Total identifiable net assets at fair value	2,517,321
Non-controlling interests	(87,244)
Total identifiable net assets at fair value attributable to the Group	2,430,077

The gross amount and fair value of other receivables amounted to approximately RMB537,827,000. None of the receivables had been impaired and it is expected that the full amounts can be collected.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 45. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY (Continued)

### Gain on bargain purchase:

	RMB'000
Cash consideration transferred	422,000
Fair value of previously held equity interest	1,948,132
	<u>2,370,132</u>
Less: fair value of net assets of acquired	(2,430,077)
Gain on bargain purchase	<u>(59,945)</u>

Bargain purchase gain amounting to approximately RMB59,945,000 on acquisition of Honghua Zhida is recognised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

### Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	422,000
Less: cash and cash equivalent acquired	(60,394)
Net cash outflow on acquisition	<u>361,606</u>

### Impact of acquisition on the result of the Group

Included in the profit for the year was approximately a loss of RMB5,506,000, attributable to the additional business generated by Honghua Zhida. Revenue for the year ended 31 December 2021 included approximately RMB32,000 generated from Honghua Zhida.

Had the acquisition been completed in 1 January 2021, total revenue of the Group for the year ended 31 December 2021 would have been approximately RMB114,491,225,000 and profit for the year would have been approximately RMB16,882,437,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on in 1 January 2021, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Hongzhu Zhida been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of acquisition.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 46. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2022, the Group had the following acquisition of subsidiaries.

- (a) On 31 December 2022, the Group acquired 100% of the issued capital of Weihai Haixin New Material Co., Ltd. \* (“Weihai Haixin”) 威海海鑫新材料有限公司 from an independent third party for consideration of RMB871,463,000. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB20,462,000. Weihai Haixin is engaged in manufacture and sale of aluminum products. Weihai Haixin was acquired so as to continue the expansion of the Group’s aluminum products operations.

Acquisition-related costs amounting to RMB94,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2022, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	842,002
Right-of-use assets	140,479
Trade and bills receivables	672,048
Prepayments and other receivables	409,777
Inventories	286,524
Cash and cash equivalents	400,969
Bank borrowings	(300,000)
Trade and bills payables	(1,203,992)
Other payables and accruals	(355,882)
Total identifiable net assets at fair value	<u>891,925</u>

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB1,081,484,000. None of the trade and receivables had been impaired and it is expected that the full amounts can be collected.

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 46. ACQUISITION OF SUBSIDIARIES (Continued)

(a) (Continued)

### Gain on bargain purchase:

	RMB'000
Cash consideration transferred	871,463
Less: fair value of net assets of acquired	(891,925)
Gain on bargain purchase	(20,462)

Bargain purchase gain amounting to approximately RMB20,462,000 on acquisition of Weihai Haixin is recognised in profit or loss within “other income and gains” in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

### Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	871,463
Less: cash and cash equivalent acquired	(400,969)
Net cash outflow on acquisition	470,494

### Impact of acquisition on the result of the Group

No profit attributable to the additional business generated by Weihai Haixin or revenue generated from Weihai Haixin included in the profit for the year.

Had the acquisition been completed in 1 January 2022, total revenue of the Group for the year ended 31 December 2022 would have been approximately RMB133,223,343,000 and profit for the year would have been approximately RMB9,627,385,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on in 1 January 2022, nor is it intended to be a projection of future results.

In determining the “pro-forma” revenue and profit of the Group had Weihai Haixin been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of acquisition.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 46. ACQUISITION OF SUBSIDIARIES (Continued)

- (b) On 31 December 2022, the Group acquired 100% of the issued capital of Weihai Chenxin New Material Co., Ltd. \* (“Weihai Chenxin”) 威海辰鑫新材料有限公司 from an independent third party for consideration of RMB372,280,000. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB60,000. Weihai Chenxin is engaged in manufacture and sale of aluminum products. Weihai Chenxin was acquired so as to continue the expansion of the Group’s aluminum products operations.

Acquisition-related costs amounting to RMB94,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2022, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	338,030
Trade and bills receivables	139,725
Prepayments and other receivables	50,092
Cash and cash equivalents	9,456
Inventories	51,723
Trade and bills payables	(151,995)
Other payables and accruals	(51,927)
Deferred tax liabilities	(12,764)
Total identifiable net assets at fair value	<u>372,340</u>

The gross contractual amounts and fair value of trade and other receivables amounted to approximately RMB189,817,000. None of the receivables had been impaired and it is expected that the full amounts can be collected.

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 46. ACQUISITION OF SUBSIDIARIES (Continued)

(b) (Continued)

### Gain on bargain purchase:

	RMB'000
Cash consideration transferred	372,280
Less: fair value of net assets of acquired	<u>(372,340)</u>
Gain on bargain purchase	<u>(60)</u>

Bargain purchase gain amounting to approximately RMB60,000 on acquisition of Weihai Chenxin is recognised in profit or loss within “other income and gains” in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

### Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	372,280
Less: cash and cash equivalent acquired	<u>(9,456)</u>
Net cash outflow on acquisition	<u>362,824</u>

### Impact of acquisition on the result of the Group

No profit attributable to the additional business generated by Weihai Chenxin or revenue generated from Weihai Chenxin included in the profit for the year.

Had the acquisition been completed in 1 January 2022, total revenue of the Group for the year ended 31 December 2022 would have been approximately RMB131,437,931,000 and profit for the year would have been approximately RMB9,629,440,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on in 1 January 2022, nor is it intended to be a projection of future results.

In determining the “pro-forma” revenue and profit of the Group had Weihai Chenxin been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of acquisition.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 47. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2022 and 2021, the Group had the following change in its ownership interest in subsidiaries that do not result in a loss of control.

### 2022

#### Acquisition of additional interest in a subsidiary

During the year ended 31 December 2022, the Group acquired an additional 35% issued shares of Chongqing Weiqiao Financial Factoring Co., Ltd. \* ("Chongqing Weiqiao Financial") 重慶魏橋金融保理有限公司 from non-controlling interests and increased its ownership interest to 100%. Cash consideration of approximately RMB236,500,000 was paid to the non-controlling shareholders. The carrying value of the net assets of Chongqing Weiqiao Financial was approximately RMB178,850,000. A schedule of the effect of acquisition of additional interest is as follow:

	RMB'000
Carrying amount of the interest acquired	178,850
Consideration paid to non-controlling interests	(236,500)
Difference recognised in capital reserve within equity	(57,650)

\* The English translation is for reference only

### 2021

#### Disposal of interest in subsidiaries without loss of control

- a) During the year ended 31 December 2021, upon additional capital contribution of RMB3,800,000,000 being made by certain independent investors to Shandong Hongqiao, the Group's equity interest in Shandong Hongqiao was diluted from 100% to 94.52%. The transaction was accounted for as deemed disposal of partial interest in a subsidiary without loss of control. This resulted in an increase in non-controlling interests of approximately RMB4,341,130,000 and a decrease in equity attributable to owners of the parent of approximately RMB541,130,000. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(4,341,130)
Consideration received from non-controlling interests	3,800,000
Difference recognised in capital reserve within equity	(541,130)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 47. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

### Disposal of interest in subsidiaries without loss of control (Continued)

- b) During the year ended 31 December 2021, the Group disposed of 5% interest out of 100% interest in Shandong Honghe Lightweight Technology Co., Ltd\* (“Honghe Lightweight”) 山東宏和輕量化科技有限公 司 to an independent third party, at a consideration of RMB2,500,000. This resulted in an increase in non-controlling interests of approximately RMB2,500,000. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(2,500)
Consideration received from non-controlling interests	2,500
Difference recognised in capital reserve within equity	–

\* The English translation is for reference only

## 48. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and borrowings granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	2022 RMB'000	2021 RMB'000
Restricted bank deposits (note 30)	1,720,058	1,623,874
Property, plant and equipment (note 16)	12,069,053	11,803,565
Right-of-use assets (note 17)	556,345	499,916

## 49. COMMITMENTS

	2022 RMB'000	2021 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment – Contracted for but not provided	3,545,775	1,618,260



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 50. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group had the following related parties transactions.

- (a) During the year, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Weiqiao Chuangye	note ii
Binzhou Weiqiao Technology Industrial Park Company Limited ("Binzhou Industrial Park") 濱州魏橋科技工業園有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Minghong Textile Technology Company Limited ("Ming Hong Textile") 山東銘宏紡織科技有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Construction Investment Development Co. Ltd. ("Binzhou Investment") 濱州市公建投資開發有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Solid Waste Disposal Co., Ltd. ("Beihai Solid Waste") 濱州市北海魏橋固廢處置有限公司 (note i)	Controlled by Weiqiao Chuangye
Shandong Ruixin Tendering Co., Ltd ("Shandong Ruixin") 山東瑞信招標有限公司 (note i)	Controlled by Weiqiao Chuangye
Binzhou City Beihai Weiqiao Railway Engineering Co., Ltd. ("Beihai Weiqiao Railway") 濱州北海魏橋鐵路工程有限公司 (note i)	Controlled by Weiqiao Chuangye
Zhanhua Weiqiao Port Logistics Co., Ltd. ("Zhanhua Weiqiao Port Logistics") 沾化魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Wudi Weiqiao Port Logistics Co., Ltd. ("Wudi Weiqiao Port Logistics") 無棣魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Weiqiao Textile Co. Ltd ("Weiqiao Textile") 魏橋紡織股份有限公司	Controlled by Weiqiao Chuangye
PT. Harita Jayaraya ("Harita Jayaraya")	note iii
PT. Cita Mineral Investindo, Tbk.	note iii
PT. Antar Sarana Rekasa	Controlled by Harita Jayaraya
Zhanhua Jinsha Water Supply Co., Ltd. ("Jinsha Water Supply") 沾化金沙供水有限公司 (note i)	An associate of Weiqiao Chuangye
WCSR	An associate of the Group
Innovation Carbon New Material	An associate of the Group
ABM	An associate of the Group
GTS	An associate of the Group
WAP	An associate of the Group
SMB	An associate of the Group
Binneng Energy	An associate of the Group
Weiqiao Haiyi	An associate of the Group

Notes:

- i. The English translation is for reference only.
- ii. Mr. Zhang Bo, the director of the Company, has a significant non-controlling beneficial interest in Weiqiao Chuangye, and is also the director of Weiqiao Chuangye.
- iii. Harita Jayaraya has a significant non-controlling beneficial interest in PT Well Harvest Winning Alumina Refinery, a subsidiary of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 50. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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

	Notes	2022 RMB'000	2021 RMB'000
Purchases of water			
Jinsha Water Supply	(a)	(24,315)	(21,633)
Weiqiao Chuangye	(b)	(30,886)	(40,595)
Industrial waste expenses			
Beihai Solid Waste	(b)	(160,569)	(162,185)
Purchases of bauxite			
GTS	(i)	(13,426,851)	(7,092,966)
PT. Cita Mineral Investindo, Tbk.	(a)	(799,009)	(229,692)
Purchase of electricity			
Binneng Energy	(i)	(14,938,883)	(12,204,938)
Purchases of anode carbon block			
Innovation Carbon New Material	(i)	(2,394,356)	(1,426,136)
Purchase of right-of-use assets			
Weiqiao Chuangye	(a)	(83,604)	(151,261)
Weiqiao Textile	(a)	(18,956)	–
Sales of steam			
Binzhou Industrial Park	(a)	10,453	12,020
Ming Hong Textile	(a)	3,677	3,119
Binzhou Investment	(a)	22,278	24,311
Zhanhua Weiqiao Port Logistics	(a)	533	334
Sales of water			
Zhanhua Weiqiao Port Logistic	(a)	101	–
Legal and professional fee			
Shandong Ruixin	(a)	(10,757)	(2,735)
Sales of scraps material			
Beihai Solid Waste	(a)	–	758
Beihai Weiqiao Railway	(a)	–	3
Zhanhua Weiqiao Port Logistic	(a)	–	76
Wudi Weiqiao Port Logistics	(a)	–	98
Weiqiao Haiyi	(a)	–	299
Lease payment			
Weiqiao Chuangye	(a), (c), (f)	(2,850)	(12,590)
Harita Jayaraya	(e), (g), (i)	(1,070)	(1,308)
PT. Antar Sarana Rekasa	(d), (h), (i)	(8,427)	(8,161)
Interest income from associates			
Binneng Energy	(i)	114,780	114,780
WCSR	(i)	41,834	–

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 50. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

Notes:

- (a) The related party transactions in respect of (a) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14A.76 of the Listing Rules.
- (b) The related party transactions in respect of (b) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.
- (c) For the year ended 31 December 2018, the Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2022, the carrying amount of such lease liabilities is RMB40,394,000 (2021: RMB41,722,000).
- (d) For the year ended 31 December 2019, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. As at 31 December 2022, the carrying amount of such lease liabilities is nil (2021: nil).
- (e) For the year ended 31 December 2019, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. As at 31 December 2022, the carrying amount of such lease liabilities is nil (2021: nil).
- (f) The Group entered into a three-year lease in respect of certain properties from Weiqiao Chuangye in 2020. The amount of rent payable by the Group under the lease is approximately RMB766,000 per month and the lease was expired on 16 November 2021.
- (g) For the year ended 31 December 2021, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB103,000 per month. As at 31 December 2022, the carrying amount of such lease liabilities is nil (2021: RMB999,000).
- (h) For the year ended 31 December 2022, the Group entered into a lease for 3 years in respect of vessels in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB720,000 per month. As at 31 December 2022, the carrying amount of such lease liabilities is RMB14,935,000 (31 December 2021: nil).
- (i) The related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 50. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

The following balances were outstanding at the end of the year:

	2022 RMB'000	2021 RMB'000
Loans to associates		
ABM	766,106	701,327
Binneng Energy	2,000,000	2,000,000
WCSR	1,044,690	–
Trade payables		
GTS	(2,171,252)	(316,349)
Innovation Carbon New Material	(286,458)	(748,799)
Jinsha Water Supply	(1,731)	(3,105)
Weiqiao Chuangye	(28,687)	(29,633)
PT. Cita Mineral Investindo, Tbk.	(39,585)	(36,419)
Trade receivable		
Ming Hong Textile	127	84
Other payable		
Weiqiao Chuangye	(8,793)	–
Weiqiao Textile	(20,662)	–
Prepayments to an associate		
Binneng Energy	661,035	3,626,005
Interest receivable		
WCSR	41,626	–

### (b) Compensation of key management personnel

	2022 RMB'000	2021 RMB'000
Short term employee benefit	8,375	7,705
Retirement benefits scheme contributions	119	115
	<b>8,494</b>	<b>7,820</b>

Further details of the directors' and chief executive's emoluments are included in note 12.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 50. RELATED PARTY TRANSACTIONS (Continued)

### (c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	2022 RMB'000	2021 RMB'000
Binneng Energy	1,400,000	–
Weiqiao Chuangye	3,289,242	960,000

## 51. RETIREMENT BENEFIT SCHEME

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 December 2022, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB936,134,000 (2021: RMB264,609,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

During the years ended 31 December 2022 and 2021, no utilisation of forfeited contributions were offset the contributions obligation.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 52. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Non-cash changes							
	1 January 2022 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Conversation			Fair value change RMB'000	31 December 2022 RMB'000
				Finance costs incurred RMB'000	into shares of the Company RMB'000	Foreign exchange movements RMB'000		
Bank borrowings	36,381,751	(3,581,774)	300,000	2,174,962	-	252,820	-	35,527,759
Lease liabilities	61,731	(20,926)	24,323	2,833	-	(45)	-	67,916
Liability component of CBs	2,992,358	(105,121)	-	227,377	(1,487,157)	203,070	-	1,830,527
Derivatives component of CBs	954,356	-	-	-	(744,050)	59,700	187,004	457,010
Medium-term debentures and bonds	13,143,593	755,414	-	568,952	-	-	-	14,467,959
Short-term debentures and notes	1,500,000	1,426,689	-	73,311	-	-	-	3,000,000
Guaranteed notes	6,332,831	(2,292,503)	-	386,610	-	416,710	-	4,843,648
Interest payable	610,976	(124,520)	-	-	-	-	-	486,456
	<b>61,977,596</b>	<b>(3,942,741)</b>	<b>324,323</b>	<b>3,434,045</b>	<b>(2,231,207)</b>	<b>932,255</b>	<b>187,004</b>	<b>60,681,275</b>

	Non-cash changes								
	1 January 2021 RMB'000	Financing cash flows RMB'000	Additions RMB'000	Early termination RMB'000	Conversation			Fair value change RMB'000	31 December 2021 RMB'000
					Finance costs incurred RMB'000	Foreign exchange movements RMB'000			
Bank borrowings	34,260,898	643,029	-	-	1,697,852	(220,028)	-	36,381,751	
Lease liabilities	83,689	(22,679)	25,945	(27,491)	2,453	(186)	-	61,731	
Liability component of CBs	1,215,939	1,422,563	-	-	394,141	(40,285)	-	2,992,358	
Derivatives component of CBs	550,111	301,887	-	-	-	(14,992)	117,350	954,356	
Medium-term debentures and bonds	36,120,076	(24,142,654)	-	-	1,166,171	-	-	13,143,593	
Short-term debentures and notes	-	1,485,872	-	-	14,128	-	-	1,500,000	
Guaranteed notes	3,242,270	2,858,852	-	-	351,229	(119,520)	-	6,332,831	
Interest payable	1,473,016	(862,040)	-	-	-	-	-	610,976	
	<b>76,945,999</b>	<b>(18,315,170)</b>	<b>25,945</b>	<b>(27,491)</b>	<b>3,625,974</b>	<b>(395,011)</b>	<b>117,350</b>	<b>61,977,596</b>	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 53. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2022 RMB'000	2021 RMB'000
<b>Non-current assets</b>			
Plant and equipment		35	35
Right-of-use assets		1,883	5,349
Investment in subsidiaries		11,199,239	11,199,239
Other receivables		1,810,796	701,327
Amounts due from subsidiaries	(i)	10,925,507	11,477,729
Financial assets at fair value through other comprehensive income		928,898	904,278
		<b>24,866,358</b>	<b>24,287,957</b>
<b>Current assets</b>			
Trade receivables		88,744	45,033
Prepayment and other receivables		43,145	1,391
Amounts due from subsidiaries	(i)	2,083,141	–
Amount due from immediate holding company	(ii)	27	27
Other financial asset		2,122	99
Cash and cash equivalents		388,782	117,207
		<b>2,605,961</b>	<b>163,757</b>
<b>Current liabilities</b>			
Trade payables		89,982	41,060
Other payables		140,238	205,782
Lease liabilities		1,777	3,600
Bank borrowings – due within one year		1,789,650	1,076,024
Liability component of convertible bonds-due within one year		–	1,358,611
Guaranteed notes – due within one year		1,392,893	1,908,945
Derivative component of convertible bonds-due within one year		–	713,086
Other financial liabilities		–	4,497
		<b>3,414,540</b>	<b>5,311,605</b>
<b>Net current liabilities</b>		<b>(808,579)</b>	<b>(5,147,848)</b>
<b>Total assets less current liabilities</b>		<b>24,057,779</b>	<b>19,140,109</b>
<b>Non-current liabilities</b>			
Lease liabilities		196	1,973
Amount due to a subsidiary	(ii)	10,710,162	680,364
Bank borrowings – due after one year		821,823	2,154,612
Liability component of convertible bonds – due after one year		1,830,527	1,633,747
Guaranteed notes – due after one year		3,450,755	4,423,886
Derivative component of convertible bonds – due after one year		457,010	241,270
		<b>17,270,473</b>	<b>9,135,852</b>
<b>Net assets</b>		<b>6,787,306</b>	<b>10,004,257</b>
<b>Capital and reserves</b>			
Share capital		618,881	595,139
Reserves	(iii)	6,168,425	9,409,118
<b>Total equity</b>		<b>6,787,306</b>	<b>10,004,257</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

- (i) The amounts due from subsidiaries with the balance of approximately RMB3,944,604,000 (2021: RMB4,534,764,000) are unsecured, carrying interest at fixed rate ranged from 5% to 8% (2021: ranged from 5% to 8%) per annum. The balances of approximately RMB2,083,141,000 and RMB1,861,463,000 are repayable in April 2023 and December 2024 respectively.

The remaining balances are unsecured, interest-free and the directors of the Company do not expect repayments on these balances within next twelve months from the end of the reporting period and the balances were classified as non-current. The fair value of interest-free portion is estimated at approximately RMB9,064,044,000 (2021: RMB6,942,965,000) by using the effective interest rate of 4.9% per annum for the years ended 31 December 2022 and 2021.

- (ii) The amounts due from (to) immediate holding company/a subsidiary are unsecured, interest-free. The directors of the Company do not expect repayments from immediate holding company within next twelve months from the end of the reporting period and the balance of payable to a subsidiary will only be due after one year from the end of reporting period.

- (iii) Movement in reserves

	Share premium RMB'000	Share reserve <sup>a</sup> RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	20,909,078	3,193,854	(9,026,393)	15,076,539
Loss and total comprehensive expense for the year	–	–	(407,227)	(407,227)
Dividend paid	–	–	(7,184,483)	(7,184,483)
Issue of shares (note 41)	1,924,289	–	–	1,924,289
At 31 December 2021 and 1 January 2022	<b>22,833,367</b>	<b>3,193,854</b>	<b>(16,618,103)</b>	<b>9,409,118</b>
Profit and total comprehensive income for the year	–	–	2,777,493	2,777,493
Dividend paid	–	–	(8,225,651)	(8,225,651)
Issue of shares upon conversion of convertible bonds (note 41)	2,207,465	–	–	2,207,465
At 31 December 2022	<b>25,040,832</b>	<b>3,193,854</b>	<b>(22,066,261)</b>	<b>6,168,425</b>

- a. Share reserve represented capitalisation of amount due to a related party in previous year.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly		2022	2021	
				2022	2021	2022	2021			
China Hongqiao Investment Limited	British Virgin Islands ("BVI")	Ordinary Shares	US\$200	100	100	-	-	100	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK\$10,100	-	-	100	100	100	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	61	61	-	-	61	61	Manufacture and sale of alumina
Hongqiao (HK) International Trading Limited	Hong Kong	Ordinary Shares	HK\$10,000,000	-	-	100	100	100	100	Inactive
Shandong Hongqiao	PRC	Ordinary Shares	RMB11,759,333,009	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zouping Hongli Thermal Power Co., Ltd. * 鄒平縣宏利熱電有限公司	PRC	Ordinary Shares	RMB1,817,065,373	-	-	94.52	94.52	94.52	94.52	Production and sale of electricity
Zhouping Hongmao New Material Technology Co., Ltd. * 鄒平縣宏茂新材料科技有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zhouping Hongzheng New Material Technology Co., Ltd. * 鄒平縣宏正新材料科技有限公司	PRC	Ordinary Shares	RMB700,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Shandong Weiqiao Aluminum & Power Co., Ltd. * ("Shandong Weiqiao") 山東魏橋鋁電有限公司	PRC	Ordinary Shares	RMB13,000,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zouping County Hongxu Thermal Power Co., Ltd. * ("Hongxu Power") 鄒平縣宏旭熱電有限公司	PRC	Ordinary Shares	RMB8,200,000,000	-	-	94.52	94.52	94.52	94.52	Production and sale of electricity
Zouping Huiju New Material Technology Co., Ltd. *鄒平縣匯聚新材料科技有限公司	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	-	-	94.52	94.52	94.52	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly		2022	2021	
				2022	2021	2022	2021			
Zouping Huicai New Material Technology Co., Ltd.* 鄒平縣匯才新材料科技有限公司	PRC	Ordinary Shares	RMB3,700,000,000	-	-	94.52	94.52	94.52	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huisheng New Material Technology Co., Ltd.* 鄒平縣匯盛新材料科技有限公司	PRC	Ordinary Shares	RMB5,900,000,000	-	-	94.52	94.52	94.52	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huimao New Material Technology Co., Ltd.* 鄒平縣匯茂新材料科技有限公司	PRC	Ordinary Shares	RMB5,500,000,000	-	-	94.52	94.52	94.52	94.52	Research and development, sale of bauxite, manufacture and sale of aluminum products
Huimin Huihong New Material Co., Ltd.* 惠民縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB5,000,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zhanhua Huihong New Material	PRC	Ordinary Shares	RMB3,000,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Yangxin New Material Co., Ltd.* 陽信縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Binzhou Beihai New Material Co., Ltd.* 濱州北海匯宏新材料有限公司	PRC	Ordinary Shares	RMB3,500,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Binzhou Hongguo New Material* 濱州市宏諾新材料有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Shandong Hongqiao Financial Leasing Co., Ltd.* 山東宏橋融資租賃有限公司	PRC	Ordinary Shares	US\$200,000,000	-	-	100	100	100	100	Financial leasing
Shandong Hongfan Industrial Co., Ltd.* 山東宏帆實業有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2022 and 2021 are as follows: (Continued)

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Group		Principal activities
				Directly		Indirectly		2022	2021	
				2022	2021	2022	2021			
Binzhou Hongzhan Aluminum Technology Co., Ltd. * 濱州宏展鋁業科技有限公司	PRC	Ordinary Shares	RMB200,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Zouping Hongfa Aluminum Technology Co., Ltd. * 鄒平宏發鋁業科技有限公司	PRC	Ordinary Shares	RMB700,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Shandong Hongbin International Business Co., Ltd. * 山東宏濱國際商貿有限公司	PRC	Ordinary Shares	RMB30,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Binzhou Municipal Beihai Xinhe New Material Co., Ltd. * ("Beihai Xinhe") 濱州市北海信和新材料有限公司	PRC	Ordinary Shares	RMB2,100,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Hongchuang (Note i)	PRC	Ordinary Shares	RMB926,400,000	-	-	26.64	26.64	26.64	26.64	Manufacture and sale of aluminum products
Chongqing Weiqiao	PRC	Ordinary Shares	RMB500,000,000	-	-	94.52	61.26	94.52	61.26	Provision of financing
Yunnan Hongtai New Material Co., Ltd. * 雲南宏泰新型材料有限公司	PRC	Ordinary Shares	RMB12,000,000,000	-	-	70.89	70.89	70.89	70.89	Manufacture and sale of aluminum products
Yunnan Hongqiao New Material Co., Ltd. * 雲南宏橋新型材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products
Shandong Weiqiao Lightweight Material Co., Ltd. * 山東魏橋輕量化材料有限公司	PRC	Ordinary Shares	RMB100,000,000	-	-	94.52	94.52	94.52	94.52	Manufacture and sale of aluminum products

\* For identification purpose only

Note:

- i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 26.64% (2021: 26.64%) equity interest therein as the Group holds significantly more voting rights than any other voting right holders or organised group of voting right holders, and the other shareholdings are widely dispersed, so the Group has the control over Hongchuang.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB17,467,959,000 (2021: RMB14,643,593,000) of debt securities at the end of the year:

	Total and held by third parties	
	2022 RMB'000	2021 RMB'000
Shandong Hongqiao	9,970,703	7,092,590
Shandong Weiqiao	7,497,256	7,551,003

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in the PRC, Singapore, BVI, Hong Kong and Guinea (2021: the PRC, Singapore, BVI and Guinea). The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2022	2021
Sales of aluminum products	The PRC	14	11
Sales of scrap materials	The PRC	1	1
Delivery service	The PRC	1	1
Reclamation and utilisation of waste	The PRC	6	4
Wholesale of bauxite, alumina and aluminum products	The PRC	11	3
Sales of alumina	Singapore	1	1
Sales of alumina	BVI	1	1
Sales of alumina	Guinea	1	1
Sales of electricity	The PRC	14	5
Technology promotion and application service industry	The PRC	5	3
Investment management	The PRC	1	1
Investment holdings	The PRC	4	2
Others	Hong Kong	1	1
Others	The PRC	14	16
		<b>75</b>	<b>51</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022



## 54. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Profit (loss) attributable to non-controlling interests RMB'000		Accumulated non-controlling interests RMB'000	
		2022	2021	2022	2021	2022	2021	2022	2021
		Hongchuang and its subsidiaries	PRC	71.82%	71.82%	71.82%	71.82%	15,693	(56,594)

Summarised financial information in respect of the Group's subsidiaries that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before intergroup eliminations.

### Hongchuang and its subsidiaries

	2022 RMB'000	2021 RMB'000
Current assets	1,249,367	1,827,308
Non-current assets	1,399,507	1,236,205
Current liabilities	(1,207,743)	(1,627,172)
Non-current liabilities	(42,066)	(59,127)
Equity attributable to owners of the Company	394,257	388,099
Non-controlling interest	1,004,808	989,115
Revenue	3,531,349	3,190,524
Expenses	(3,509,498)	(3,269,324)
Profit (loss) for the year	21,851	(78,800)
Profit (loss) and total comprehensive income (expense) attributable to owners of the Company	6,158	(22,206)
Profit (loss) and total comprehensive income (expense) attributable to the non-controlling interest	15,693	(56,594)
Profit (loss) and total comprehensive income (expense) for the year	21,851	(78,800)
Net cash inflows (outflows) from operating activities	328,110	(50,373)
Net cash outflows from investing activities	(91,855)	(1,768)
Net cash (outflows) inflows from financing activities	(96,450)	181,419
Net cash inflows	139,805	129,278



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

## 55. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2022, the Group entered into new arrangement in respect of premises and vessels. Right-of-use assets and lease liabilities of approximately RMB24,323,000 (2021: RMB25,945,000) were recognised at the commencement of the lease.

During the year ended 31 December 2022, the Group recognised capital reserve of RMB23,918,000 (2021: RMB288,000) which represented capital injection from other investors in an associate.

During the year ended 31 December 2022, the Group transferred property, plant and equipment of approximately RMB40,305,000 to investment properties.

During the year ended 31 December 2021, the Group transferred right-of-use assets of approximately RMB166,408,000 to investment properties and investment properties of approximately RMB164,376,000 to right-of-use assets.

## 56. EVENT AFTER THE REPORTING PERIOD

In February and March 2023, the Group issued short-term debentures and notes bearing interest ranged from 4.5% to 4.6% per annum which will be due within one year with the aggregate principal amount of RMB1,000,000,000.

# Independent Auditor's Report



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

信永中和(香港)會計師事務所有限公司  
香港銅鑼灣希慎道33號  
利園一期43樓

## TO THE SHAREHOLDERS OF CHINA HONGQIAO GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of China Hongqiao Group Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 68 to 200, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 (“HKSA”) 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.



# Independent Auditor's Report

## 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 50 to the consolidated financial statements.

### The key audit matter

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

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

### How the matter was addressed in our audit

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

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



## KEY AUDIT MATTERS (Continued)

### ESTIMATED ALLOWANCE ON INVENTORIES

Refer to note 24 to the consolidated financial statements.

#### The key audit matter

As at 31 December 2021, the carrying amount of the inventories was approximately RMB22,705,105,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of judgements and estimates on the net realisable value.

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

#### How the matter was addressed in our audit

Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2021.

We have reviewed the utilisation of inventories and sales contracts awarded and entered into among the Group and the customers. We have also reviewed the subsequent selling prices of the inventories after 31 December 2021 and compared with their carrying amounts to consider whether the inventories were stated at lower of their costs or net realisable values.

### IMPAIRMENT ASSESSMENT OF GOODWILL

Refer to note 22 to the consolidated financial statements.

#### The key audit matter

As at 31 December 2021, the carrying amount of goodwill was approximately RMB278,224,000. No impairment loss was recognised for the year ended 31 December 2021.

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

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

#### How the matter was addressed in our audit

In order to address this matter in our audit, we obtained management's impairment assessment and valuation report prepared by their valuation specialist and challenged the reasonableness of the selection of valuation models, adoption of key assumptions and input data and changes in adoption of key assumptions and input data. In particular, we reviewed the future cash flow forecast prepared by management. 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.

# Independent Auditor's Report

## KEY AUDIT MATTERS (Continued)

### IMPAIRMENT ASSESSMENT OF PROPERTY, PLANT AND EQUIPMENT

Refer to note 16 to the consolidated financial statements.

#### The key audit matter

As at 31 December 2021, the carrying amount of property, plant and equipment amounted to approximately RMB63,441,945,000. An impairment loss on property, plant and equipment of approximately RMB1,483,143,000 and reversal of impairment of property, plant and equipment of approximately RMB171,717,000 was recognised for the year ended 31 December 2021.

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

#### How the matter was addressed in our audit

We performed physical inspection of major property, plant and equipment, with specific focus on those suspended property, plant and equipment.

We obtained valuation report for property, plant and equipment from the Group and considered the objectivity, independence and expertise of the valuer. We assessed the appropriateness of the valuation methodologies and challenged the reasonableness of methodologies and the use of market data and assumptions, such as cash flow projections and discount rates applied in determining the fair value less cost of disposal.

We also performed calculation check on the provision of impairment loss and reversal of impairment loss for the year ended 31 December 2021.

### IMPAIRMENT ASSESSMENT OF INTEREST IN AN ASSOCIATE

Refer to note 20 to the consolidated financial statements.

#### The key audit matter

As at 31 December 2021, the carrying amount of the Group's interest in Zouping Binneng Energy Technology Co., Ltd \* ("Binneng Energy") 鄒平濱能源科技有限公司 amounted to approximately RMB2,563,457,000.

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 21 to the consolidated financial statements.

#### The key audit matter

During the year ended 31 December 2021, the Group had 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 judgment 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.

\* The English translation is for reference only

#### How the matter was addressed in our audit

Our procedures were designed to evaluate management's assessment of the credit quality of Binneng Energy by examining the Group's internal credit rating, 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.

## 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.



# Independent Auditor's Report

## 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.

# Independent Auditor's Report

## 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, actions taken to eliminate threats or safeguards applied.

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

18 March 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	114,490,941	86,144,641
Cost of sales		(84,037,845)	(66,789,453)
Gross profit		30,453,096	19,355,188
Other income and gains	7	3,706,677	2,700,719
Selling and distribution expenses		(525,709)	(399,894)
Administrative expenses		(5,708,346)	(4,052,174)
Other expenses	8	(1,690,523)	(616,586)
Finance costs	9	(3,625,974)	(4,506,236)
Changes in fair values of financial instruments	31	(116,806)	(291,255)
Share of profits of associates	20	61,519	514,588
Profit before taxation		22,553,934	12,704,350
Income tax expenses	10	(5,705,135)	(2,259,599)
Profit for the year	11	16,848,799	10,444,751
Attributable to:			
Owners of the Company		16,073,342	10,495,936
Non-controlling interests		775,457	(51,185)
		16,848,799	10,444,751
Other comprehensive expense for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statements of foreign operations		(65,426)	(253,876)
Share of other comprehensive expense of associates		(32,069)	(108,703)
		(97,495)	(362,579)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive expense		(108,960)	(57,297)
Total comprehensive income for the year, net of income tax		16,642,344	10,024,875
Total comprehensive income (expense) for the year attributable to			
Owners of the Company		15,896,066	10,175,062
Non-controlling interests		746,278	(150,187)
		16,642,344	10,024,875
Earnings per share	15		
– Basic (RMB)		1.7720	1.2210
– Diluted (RMB)		1.7119	1.2210

# Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	63,441,945	64,750,361
Right-of-use assets	17	5,718,365	5,646,551
Intangible assets	18	32,595	27,429
Investment properties	19	3,808	4,053
Deposits paid for acquisition of property, plant and equipment		636,493	571,608
Deferred tax assets	39	2,616,950	2,886,026
Interests in associates	20	6,064,998	6,681,222
Loan to an associate	21	2,000,000	–
Goodwill	22	278,224	278,224
Financial asset at amortised cost	28	2,499,000	2,499,000
Financial assets at fair value through other comprehensive income	23	1,058,906	633,652
Prepayment	27	541,210	119,260
		<b>84,892,494</b>	<b>84,097,386</b>
<b>CURRENT ASSETS</b>			
Inventories	24	22,705,105	19,717,811
Trade receivables	25	7,284,753	10,335,568
Bills receivables	26	11,918,515	9,157,692
Prepayments and other receivables	27	10,768,496	9,126,270
Loan to an associate	21	–	2,000,000
Other financial asset	29	99	–
Income tax recoverable		304	88,814
Restricted bank deposits	30	1,623,874	1,542,098
Cash and cash equivalents	30	49,227,282	45,465,361
		<b>103,528,428</b>	<b>97,433,614</b>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	32	18,735,216	13,377,069
Other payables and accruals	33	11,479,959	12,105,674
Bank borrowings – due within one year	34	21,010,873	22,777,400
Other financial liabilities	29	4,497	4,942
Lease liabilities	17	10,372	25,080
Liability component of convertible bonds – due within one year	38	1,358,611	–
Derivatives component of convertible bonds – due within one year	38	713,086	–
Income tax payable		2,719,910	2,268,635
Short-term debentures and notes	35	1,500,000	–
Medium-term debentures and bonds – due within one year	36	3,598,649	22,774,698
Guaranteed notes – due within one year	37	1,908,945	–
Deferred income	40	26,514	17,855
		<b>63,066,632</b>	<b>73,351,353</b>
<b>NET CURRENT ASSETS</b>		<b>40,461,796</b>	<b>24,082,261</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>125,354,290</b>	<b>108,179,647</b>

# Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year	34	15,370,878	11,483,498
Lease liabilities	17	51,359	58,609
Liability component of convertible bonds – due after one year	38	1,633,747	1,215,939
Derivatives component of convertible bonds – due after one year	38	241,270	550,111
Deferred tax liabilities	39	813,998	900,344
Medium-term debentures and bonds – due after one year	36	9,544,944	13,345,378
Guaranteed notes – due after one year	37	4,423,886	3,242,270
Deferred income	40	835,379	581,828
		<b>32,915,461</b>	<b>31,377,977</b>
<b>NET ASSETS</b>			
		<b>92,438,829</b>	<b>76,801,670</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	41	595,139	579,318
Reserves	42	80,712,656	70,616,819
Equity attributable to owners of the Company		<b>81,307,795</b>	<b>71,196,137</b>
Non-controlling interests		<b>11,131,034</b>	<b>5,605,533</b>
<b>TOTAL EQUITY</b>		<b>92,438,829</b>	<b>76,801,670</b>

The consolidated financial statements on pages 68 to 200 were approved and authorised recognised for issue by the board of directors on 18 March 2022 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 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 42(d))	Capital reserve RMB'000 (Note 42(a))	Translation reserve RMB'000 (Note 42(c))	Statutory surplus reserve RMB'000 (Note 42(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021	579,318	20,909,078	(744,064)	789,617	9,448	9,641,780	40,010,960	71,196,137	5,605,533	76,801,670
Profit for the year	-	-	-	-	-	-	16,073,342	16,073,342	775,457	16,848,799
<i>Other comprehensive (expense) income for the year:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(108,960)	-	-	-	-	(108,960)	-	(108,960)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(36,247)	-	-	(36,247)	(29,179)	(65,426)
Share of other comprehensive expense of associates	-	-	-	-	(32,069)	-	-	(32,069)	-	(32,069)
Total comprehensive (expense) income	-	-	(108,960)	-	(68,316)	-	16,073,342	15,896,066	746,278	16,642,344
Capital contribution	-	-	-	-	-	-	-	-	461,420	461,420
Share of capital reserve of an associate	-	-	-	288	-	-	-	288	-	288
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	(8,987)	(8,987)
Transfer to non-controlling interests	-	-	-	807	-	-	-	807	(807)	-
Step acquisition from associate to subsidiary (note 45)	-	-	-	-	-	-	-	-	87,244	87,244
Change in ownership in interest in subsidiaries (note 47)	-	-	-	(541,130)	-	-	-	(541,130)	4,343,630	3,802,500
Issue of shares (note 41)	15,821	1,924,289	-	-	-	-	-	1,940,110	-	1,940,110
Transfer of reserves	-	-	-	-	-	5,309,265	(5,309,265)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(7,184,483)	(7,184,483)	(103,277)	(7,287,760)
	15,821	1,924,289	-	(540,035)	-	5,309,265	(12,493,748)	(5,784,408)	4,779,223	(1,005,185)
At 31 December 2021	595,139	22,833,367	(853,024)	249,582	(58,868)	14,951,045	43,590,554	81,307,795	11,131,034	92,438,829

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Investment revaluation reserve RMB'000 (Note 42(d))	Capital reserve RMB'000 (Note 42(a))	Translation reserve RMB'000 (Note 42(c))	Statutory surplus reserve RMB'000 (Note 42(b))	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	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 (loss) for the year	-	-	-	-	-	-	10,495,936	10,495,936	(51,185)	10,444,751
<i>Other comprehensive (expense) income for the year:</i>										
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	-	(57,297)	-	-	-	-	(57,297)	-	(57,297)
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(154,874)	-	-	(154,874)	(99,002)	(253,876)
Share of other comprehensive expense of associates	-	-	-	-	(108,703)	-	-	(108,703)	-	(108,703)
Total comprehensive (expense) income	-	-	(57,297)	-	(263,577)	-	10,495,936	10,175,062	(150,187)	10,024,875
Capital contribution	-	-	-	-	-	-	-	-	2,910,080	2,910,080
Share of capital reserve of an associate	-	-	-	300	-	-	-	300	-	300
Partial disposal of a subsidiary (note 46)	-	-	-	-	-	-	-	-	937	937
Issue of shares (note 41)	20,228	1,597,426	-	-	-	-	-	1,617,654	-	1,617,654
Transfer of reserves	-	-	-	-	-	1,427,569	(1,427,569)	-	-	-
Dividends paid (note 14)	-	-	-	-	-	-	(3,760,997)	(3,760,997)	(7,155)	(3,768,152)
	20,228	1,597,426	-	300	-	1,427,569	(5,188,566)	(2,143,043)	2,903,862	760,819
At 31 December 2020	579,318	20,909,078	(744,064)	789,617	9,448	9,641,780	40,010,960	71,196,137	5,605,533	76,801,670

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
<b>OPERATING ACTIVITIES</b>			
Profit before taxation		22,553,934	12,704,350
Adjustments for:			
Interest income		(730,984)	(620,602)
Finance costs		3,625,974	4,506,236
Share of profits of associates		(61,519)	(514,588)
Depreciation of property, plant and equipment		6,516,403	6,687,620
Depreciation of investment properties		2,277	135
Depreciation of right-of-use assets		188,259	208,905
Loss on disposal of property, plant and equipment		12,982	206,046
Loss on fair value changes of financial instruments		116,806	291,255
Gain on bargain purchase	45	(59,945)	–
Gain on partial disposal of a subsidiary		–	(1,406)
Amortisation of intangible assets		5,765	4,463
Amortisation of deferred income		(40,590)	(107,050)
Reversal of impairment of property, plant and equipment		(171,717)	–
Reversal of write-down of inventories		(39,108)	(88,975)
Reversal of impairment of other receivables		(31,059)	–
Write-down of inventories		129,155	106,227
Impairment loss recognised in respect of trade receivables		756	185
Impairment loss recognised in respect of other receivables		–	17,297
Impairment loss recognised in respect of goodwill		–	330,594
Impairment loss recognised in respect of property, plant and equipment		1,483,143	162,283
Impairment loss recognised in respect of right-of-use assets		77,469	–
Gain on early termination of lease		(784)	–
Loss on fair value changes of previously held equity interest		13,572	–
Unrealised foreign exchange gain, net		(316,709)	(270,410)
Operating cash flows before movements in working capital		33,274,080	23,622,565
(Increase) decrease in inventories		(3,141,178)	2,064,523
Decrease (increase) in trade receivables		3,047,650	(28,757)
(Increase) decrease in bills receivables		(2,760,823)	1,982,083
Increase in prepayments and other receivables		(2,658,418)	(2,157,876)
Increase (decrease) in trade and bills payables		5,265,427	(4,832,940)
Increase (decrease) in other payables and accruals		623,816	(440,735)
Cash generated from operations		33,650,554	20,208,863
Income tax paid		(5,001,029)	(2,429,786)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>28,649,525</b>	<b>17,779,077</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
<b>INVESTING ACTIVITIES</b>			
Purchase of financial assets at FVTOCI		(534,214)	(397,604)
Transaction costs on purchase of financial assets at FVTOCI		–	(4,006)
Purchase of property, plant and equipment and deposits for acquisition of property, plant and equipment		(5,999,147)	(5,267,678)
Placement of restricted bank deposits		(655,247)	(1,532,713)
Proceeds from disposal of an associate		104,562	–
Net cash outflow arising on partial disposal of a subsidiary		–	(261)
Proceeds from disposal of property, plant and equipment		1,821,160	2,171,550
Proceeds from disposal of right-of-use assets		–	42,021
Proceeds from disposal of non-current assets classified as held for sale		389,873	10,127
Addition to right-of-use assets		(650,695)	(854,700)
Net cash outflow arising on derecognition of a subsidiary		(8,987)	–
Addition to intangible assets		–	(7,008)
Interest received		729,684	601,341
Withdrawal of restricted bank deposits		573,471	1,414,582
Repayment on prior year acquisition of a subsidiary		–	(55,500)
Purchases of intangible assets		(10,931)	–
Purchases of financial assets at amortised cost		–	(1,499,000)
Proceeds from disposal of financial asset at FVTPL		–	2,005
Addition of associates		(454,350)	(106,142)
Net cash outflows arising from step acquisition from associate to subsidiary	45	(361,606)	–
Capital injection to associates		(407,060)	(1,490,992)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(5,463,487)</b>	<b>(6,973,978)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
<b>FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	33,604,801	40,557,963
Proceeds from placing of shares	1,971,811	1,644,087
Proceeds from issuance of medium-term debentures and bonds	2,000,000	–
Proceeds from guaranteed notes	3,230,050	–
Proceeds from convertible bonds	1,932,616	–
Proceeds from issuance of short-term debentures and notes	1,500,000	–
Proceeds on disposal of partial interest in subsidiaries without losing control	3,802,500	–
Receipt of government grants	2,800	135,317
Transaction costs attributable to placing of shares	(31,701)	(26,433)
Transaction costs on issuance of medium-term debentures and bonds	(8,000)	–
Transaction costs on issue of guaranteed notes	(27,203)	–
Transaction costs on issue of convertible bonds	(28,525)	–
Transaction costs on issuance of short-term debentures and notes	(4,500)	–
Repayment of lease liabilities	(20,226)	(31,819)
Interest expense paid	(4,180,882)	(4,680,330)
Repayment of bank borrowings	(31,263,920)	(38,730,824)
Repayment of other borrowing	–	(1,399,600)
Repayment of medium-term debentures and bonds	(25,049,381)	(3,760,086)
Contribution from non-controlling interests	461,420	2,910,080
Dividends paid	(7,287,761)	(3,768,148)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(19,396,101)</b>	<b>(7,149,793)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,789,937</b>	<b>3,655,306</b>
Effect of changes in foreign exchange rates	(28,016)	(47,061)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>45,465,361</b>	<b>41,857,116</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b> represented by bank balances and cash	<b>49,227,282</b>	<b>45,465,361</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 55.

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

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

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning on 1 January 2021.

Amendments to IFRS 16	Covid-19-Related rent Concessions
Amendments to IFRS 9, International Accounting Standards (“IAS”) 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the IASB issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### *Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2*

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 Financial Instruments: Disclosures.

As at 1 January 2021, the Group has several financial liabilities and derivatives, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	<b>GBP London Interbank Offered Rate (“LIBOR”) RMB’000</b>
Financial liabilities	
– Bank borrowings	4,785,619
Derivatives	
– Interest rate swaps contracts	900,907

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. Additional disclosures as required by IFRS 7 are set out in the note 44.

### *Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (IAS 2 Inventories)*

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs and other cost necessary to sell inventories.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments <sup>3</sup>
Amendments to IFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to IFRS 17	Comparative Information <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to IAS 16	Property, plant and equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts-Cost of Fulfilling a Contract <sup>2</sup>
Amendment to IFRSs	Annual improvement to IFRSs 2018-2020 cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

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

### ***Amendments to IFRS 3 Reference to the Conceptual Framework***

The amendments update a reference to IFRS 3 so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010). They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of International Financial Report Interpretations Committee Interpretations (“IFRIC-Int”) 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### **New and amendments to IFRSs issued but not yet effective (Continued)**

#### ***Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments provide guidance on addressing the acknowledged inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and those in IAS 28 Investments in Associates and Joint Ventures, in dealing with the sale or contribution of assets between an investor and its joint venture and associate. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that constitutes or contains a business to a joint venture or associate in full. An investing entity is required to recognise the gain or loss arising from selling or contributing assets that does not constitute or contain a business to a joint venture or associate only to the extent of the unrelated investors' interests in that joint venture or associate.

The effective date of Amendments to IFRS 10 and IAS 28 has not yet been determined. However, earlier application is permitted. The amendments should be applied prospectively.

The directors of the Company anticipate that the application of Amendments to IFRS 10 and IAS 28 will not have a material impact on the Group's consolidated financial statements.

#### ***Amendments to IAS 1 Classification of Liabilities as Current or Non-current***

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group's liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### **New and amendments to IFRSs issued but not yet effective (Continued)**

#### ***Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of “testing whether an asset is functioning properly”. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

#### ***Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### **New and amendments to IFRSs issued but not yet effective (Continued)**

#### ***Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies***

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the “four-step materiality process” described in IFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

#### ***Amendments to IAS 8 Definition of Accounting Estimates***

The amendments to IAS 8 introduce the definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### **New and amendments to IFRSs issued but not yet effective (Continued)**

#### ***Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group currently applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements as the net temporary differences relating to relevant assets and liabilities are insignificant.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The principal accounting policies are set out below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation

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

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

#### *Changes in the Group's ownership interests in existing subsidiaries*

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### *Business combinations*

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

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

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;
- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

#### *Business combinations (Continued)*

- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are recognised on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill

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

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

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

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

The Group's policy for goodwill relating to an associate is set out in "interests in associates" below.

### Interests in associates

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

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

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Interests in associates (Continued)

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

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

The requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

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.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee. In applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

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

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### *Contract liabilities*

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

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of aluminum products
- steam supply income

#### *Sales of goods*

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

Revenue from sales of steam are recognised at a point in time and based on water consumption derived from meter readings.

Revenue from sales of electricity are recognised at a point in time and based on electricity consumption derived from meter readings.

### Leasing

#### *Definition of a lease*

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

#### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

#### *The Group as lessee (Continued)*

##### *Lease liabilities*

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

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

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

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

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

##### *Right-of-use assets*

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing (Continued)

#### *The Group as lessee (Continued)*

##### *Lease modification*

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

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

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

#### *The Group as lessor*

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### Foreign currencies

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

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

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

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### Borrowing costs

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

Any specific borrowing remains outstanding after the related asset is ready for its intended use or sale is included in the general pool for calculation of capitalisation rate on general borrowings.

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

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Government grants (Continued)

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

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

### Retirement benefits costs and termination benefits

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

### Short-term and other long-term employee benefits

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

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

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

### Taxation

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

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

### Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

#### *Ownership interests in leasehold land and buildings*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

#### **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties (Continued)

If an item of property, plant and equipment and right-of-use assets become an investment property when there is a change in use, as supported by observable evidence, the carrying amount of that item at the date of transfer is the deemed cost for subsequent accounting for that property as an item of investment property.

If an investment property becomes an owner-occupied property when there is a change in use, as supported by observable evidence, the fair value of that property at the date of transfer is the deemed cost for subsequent accounting for that property as an item of property, plant and equipment and right-of-use assets.

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (Continued)

#### *Internally-generated intangible assets-research and development expenditure (Continued)*

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

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

#### *Intangible asset acquired in a business combination*

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

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

### Inventories

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

### Cash and cash equivalents

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

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

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

### *Financial assets*

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

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

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

### *Financial assets at amortised cost (debt instruments)*

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Financial assets at amortised cost (debt instruments) (Continued)*

#### Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding the expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “other income and gains” line item (note 7).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Equity instruments as at FVTOCI*

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

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

Dividends from investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income and gains' line item in profit or loss.

##### *Financial assets at FVTPL*

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income and gains" line item. Fair value is determined in the manner described in note 44.

A financial asset is held for trading if:

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9*

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, including other receivables, bills receivables, restricted bank deposits, cash and cash equivalents, loan to an associate and financial asset at amortised cost, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

#### Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

#### Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

##### Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### Credit-impaired financial assets

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### *Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)*

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, e.g. when the counterparty has been placed under liquidation.

##### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Derecognition of financial assets*

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

#### *Financial liabilities and equity instruments*

##### *Classification as debt or equity*

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

##### *Equity instruments*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments (Continued)*

##### *Financial liabilities*

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the “changes in fair values of financial instruments” line item in profit or loss.

Financial liabilities subsequently measured at amortised cost

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

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

##### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments (Continued)*

##### *Convertible bonds*

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

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

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

#### **Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Impairment losses on property, plant and equipment, right-of-use assets and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above) (Continued)**

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

### **Fair value measurement**

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

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### **Critical judgements in applying accounting policies**

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

#### ***Ownership of the land and buildings***

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

#### ***Controls in subsidiaries***

As per note 54 to the consolidated financial statements, Shandong Hongchuang Aluminum Industry Holding Company Limited ("Hongchuang") is a subsidiary of the Group even though the Group has only a 26.64% (2020: 28.18%) ownership interest in Hongchuang. Hongchuang is a public limited company incorporated in the PRC and its shares are listed on the Shenzhen Stock Exchange. The Group has had 28.18% ownership interest since May 2017 and the remaining 71.82% of the ownership interests were held by numerous shareholders that were unrelated to the Group. During the year ended 31 December 2021, the ownership interest was diluted from 28.18% to 26.64% upon partial disposal of a subsidiary.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### Critical judgements in applying accounting policies (Continued)

#### *Withholding tax provision on profit appropriation*

The Group provides for withholding taxes of 10% on certain of its PRC subsidiaries' distributable profits generated from 1 January 2011 onwards in compliance with the PRC Corporate Tax Law. The Group has provided for such withholding taxes on the basis that the Group is expected to appropriate in the foreseeable future the profits which the PRC subsidiaries generate. As at 31 December 2021, the amounts provided for withholding tax was approximately RMB589,717,000 (2020: RMB627,965,000). Further details are given in note 39 to the consolidated financial statements.

#### *Related party transactions*

As per note 50 to the consolidated financial statements, the directors of the Company considered various entities, which are either associates of the Group or companies controlled or significantly influenced by a controlling shareholder of the Company, are related parties of the Group.

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

#### **Key sources of estimation uncertainty**

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

#### *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVID-19 pandemic. The carrying amount of goodwill at 31 December 2021 was approximately RMB278,224,000 (2020: RMB278,224,000), net of accumulated impairment losses of approximately RMB1,656,233,000 (2020: RMB1,656,233,000). Further details are given in note 22.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### Key sources of estimation uncertainty (Continued)

#### *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses and decelerated tax depreciation at 31 December 2021 were approximately RMB771,861,000 (2020: RMB660,633,000) and approximately RMB183,644,000 (2020: RMB404,978,000), respectively. The amount of unrecognised tax losses at 31 December 2021 was approximately RMB1,742,544,000 (2020: RMB767,238,000). Further details are contained in note 39.

#### *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 RMB63,441,945,000 (2020: RMB64,750,361,000, net of accumulated impairment of property, plant and equipment of approximately RMB3,462,858,000 (2020: RMB1,979,715,000) and identify if there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amount of the property, plant and equipment is estimated in order to determine the extent of the impairment loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their fair values less costs of disposal or value-in-use. The estimates of the recoverable amounts of the property, plant and equipment require the use of assumptions such as cash flow projections and discount rates. The selection of valuation models, adoption of key assumptions and input data and changes in these assumptions and input to valuation models may result in significant financial impact.

Based on the directors' assessment of recoverable amount of 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 RMB1,483,143,000 (2020: RMB162,283,000) and reversal of impairment loss on property, plant and equipment of approximately RMB171,717,000 (2020: nil), no write-off of property, plant and equipment was recognised for the years ended 31 December 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### Key sources of estimation uncertainty (Continued)

#### *Estimated useful life of property, plant and equipment*

At the end of each reporting period, the directors of the Company review the estimated useful life of property, plant and equipment. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment as at 31 December 2021 are RMB63,441,945,000 (2020: RMB64,750,361,000).

#### *Impairment of trade receivables*

The Group uses a provision matrix to calculate the ECL for trade receivables. The provision rates are based on internal credit ratings and days past due as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking information are considered. Due to the unprecedented nature of the COVID-19 pandemic, its effect on the Group's customers and their ability to meet their financial obligations to the Group is difficult to predict. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2021, the carrying amount of trade receivables was approximately RMB7,284,753,000 (2020: RMB10,335,568,000), net of allowance for impairment loss of approximately RMB7,942,000 (2020: RMB7,186,000).

#### *Impairment assessment of interest in an associate*

The carrying amount of the interest in an associate is tested for impairment as a single asset. Determining whether interest in an associate is impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in an associate. The Group identifies impairment indicators by considering the market and economic environment in which the associate operates and the financial performance of the associate. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the associate and apply a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2021, the carrying amount of interest in an associate was RMB2,563,457,000 (2020: RMB2,650,944,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### Key sources of estimation uncertainty (Continued)

#### *Impairment assessment of loan to an associate*

The impairment assessment of loan to an associate is based on (i) assumptions about ECL and (ii) the net realisable value of the underlying collateral received. The Group uses judgement in making assumptions and selecting the inputs to the ECL calculation including the associates historical credit loss experience and forward-looking information at the end of the reporting period. Changes in assumption and selection of data inputs by result in significant change in carrying amount of the loan to associate. As at 31 December 2021, the carrying amount of loan to an associate amounted to RMB2,000,000,000 (2020: RMB2,000,000,000). No impairment loss has been recognised in profit or loss during the years ended 31 December 2021 and 2020.

#### *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 2021, the carrying amount of inventories and accumulated write-down of inventories was approximately RMB22,705,105,000 (2020: RMB19,717,811,000), and RMB200,627,000 (2020: RMB110,580,000) respectively.

#### *Fair value of derivatives component of convertible bonds*

The management of the Group uses their judgments in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivatives financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amounts of derivatives component of convertible bonds of approximately RMB954,356,000 (2020: RMB550,111,000) as at 31 December 2021 are set out in note 38.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 5. REVENUE

An analysis of the Group's revenue were recognised at a point in time as follows:

	2021 RMB'000	2020 RMB'000
Revenue from sales of aluminum products		
– molten aluminum alloy	79,471,503	59,363,115
– aluminum alloy ingots	4,841,490	3,894,084
– aluminum fabrication	12,523,879	8,781,080
– alumina	16,966,928	13,486,945
Steam supply income	687,141	619,417
	<b>114,490,941</b>	<b>86,144,641</b>

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

	2021 RMB'000	2020 RMB'000
<i>Geographical region</i>		
The PRC	109,884,370	82,342,173
India	1,045,921	839,287
Europe	924,082	715,969
Malaysia	319,672	650,694
Southeast Asia	646,816	614,070
North America	1,218,545	557,596
Others	451,535	424,852
Total	<b>114,490,941</b>	<b>86,144,641</b>
<i>Type of customers</i>		
Government related	231	2,481
Non-government related	114,490,710	86,142,160
Total	<b>114,490,941</b>	<b>86,144,641</b>
<i>Sales channels</i>		
Direct sales	<b>114,490,941</b>	<b>86,144,641</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6. SEGMENT INFORMATION

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

### Geographic information

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

	Non-current assets	
	2021 RMB'000	2020 RMB'000
PRC	69,453,237	70,745,770
Indonesia	6,563,074	6,615,199
	<b>76,016,311</b>	<b>77,360,969</b>

Note: Non-current assets excluded financial instruments, loan to an associate and deferred tax assets.

### Information about major customers

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

	2021 RMB'000	2020 RMB'000
Customer A	43,828,329	33,645,435

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 7. OTHER INCOME AND GAINS

	2021 RMB'000	2020 RMB'000
Bank interest income	234,049	166,393
Other interest income	199,158	214,838
Investment income	182,997	105,802
Interest income from an associate	114,780	133,569
Gain from sales of raw materials and scraps materials	1,136,123	696,089
Gain from sales of slag of carbon anode blocks	973,663	654,964
Gain on partial disposal of a subsidiary (note 46)	–	1,406
Reversal of write-down of inventories (note (i))	39,108	88,975
Reversal of impairment of other receivables	31,059	–
Reversal of impairment of property, plant and equipment (note 16)	171,717	–
Amortisation of deferred income (note 40)	40,590	107,050
Foreign exchange gain, net	393,892	320,832
Rental income for investment properties under operating lease that lease payments are fixed	7,536	–
Other tax refunded (note (ii))	–	63,849
Gain on early termination of lease	784	–
Gain on acquisition from associate to subsidiary	46,373	–
Others	134,848	146,952
	<b>3,706,677</b>	<b>2,700,719</b>

Notes:

- (i) A reversal of write-down of inventories of approximately RMB39,108,000 (2020: RMB88,975,000) was recognised as the corresponding inventories were either sold at profit or used.
- (ii) In August 2019, the Group suffered heavy losses due to severe natural disasters caused by serious typhoon in the PRC and then were successfully claimed and received other tax refunded from the PRC local tax authority of approximately RMB63,849,000 in 2020.

## 8. OTHER EXPENSES

	2021 RMB'000	2020 RMB'000
Impairment loss recognised in respect of property, plant and equipment (note 16)	1,483,143	162,283
Impairment loss recognised in respect of right-of-use assets (note 17)	77,469	–
Impairment loss recognised in respect of goodwill (note 22)	–	330,594
Impairment loss recognised in respect of other receivables (note 27)	–	17,297
Impairment loss recognised in respect of trade receivables (note 25)	756	185
Write-down of inventories (note 24)	129,155	106,227
	<b>1,690,523</b>	<b>616,586</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expenses on bank borrowings	1,826,233	1,762,740
Interest expenses on other borrowing	–	63,960
Interest expenses on short-term debentures and notes	14,128	–
Interest expenses on medium-term debentures and bonds	1,166,171	2,184,942
Interest expenses on guaranteed notes	351,229	261,003
Interest expenses on convertible bonds	394,141	229,958
Interest expenses on lease liabilities	2,453	3,633
Total interest expense for financial liabilities not measured at FVTPL	3,754,355	4,506,236
Less: amounts capitalised in the cost of qualifying assets	(128,381)	–
	<b>3,625,974</b>	4,506,236

Borrowing costs capitalised during the year arose on the specific borrowing pool.

## 10. INCOME TAX EXPENSES

	2021 RMB'000	2020 RMB'000
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	5,405,966	2,842,822
– Indonesia Corporate Income Tax	137,070	39,550
Over provision in prior year		
– Hong Kong Profits Tax	(20,631)	–
	<b>5,522,405</b>	2,882,372
Deferred taxation	182,730	(622,773)
Total income tax expenses for the year	<b>5,705,135</b>	2,259,599

No provision for Hong Kong Profits Tax was made for the years ended 31 December 2021 and 2020 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 2021 and 2020, 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% (2020: 15%).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. INCOME TAX EXPENSES (Continued)

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

Under the Government Regulation (in Lieu of Law) No. 1 of 2020 issued, corporate income tax rate was reduced from the current rate of 25% to 22% for fiscal year 2020 and 2021 and to 20% starting fiscal year 2022. A subsidiary operating in Indonesia was subject to corporate income tax rate of Indonesia at 22% (2020: 22%) for the year ended 31 December 2021.

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 rate of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty. Deferred taxation has not been provided for in the consolidated financial statements in respect of undistributed profits of relevant PRC subsidiaries in 2008, 2009 and 2010 as the management confirmed that profits generated by the relevant PRC subsidiaries will not be distributed in the foreseeable future. Starting from 1 January 2011, certain profits generated by the relevant PRC subsidiaries are subject to PRC dividend withholding tax. 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 RMB38,248,000 (2020: RMB224,666,000) was 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:

	2021 RMB'000	2020 RMB'000
Profit before taxation	22,553,934	12,704,350
Tax at the domestic income tax rate of 25% (note i)	5,638,484	3,176,088
Tax effect of income not taxable for tax purpose	(105,788)	(86,935)
Tax effect of expenses not deductible for tax purpose	290,763	284,295
Tax effect of tax losses not recognised	272,613	37,921
Utilisation of tax losses previously not recognised	(57,677)	(1,081,260)
Overprovision in respect of prior years	(20,631)	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	7,682	(26,937)
Effect of income tax on concessionary rate	(54,009)	(7,785)
Tax effect of share of profits of associates	(15,380)	(128,647)
Tax effect of withholding tax on undistributed profits of PRC subsidiaries	(38,248)	224,666
Tax effect of super deduction from research and development expenses	(212,674)	(131,807)
Income tax expenses for the year	5,705,135	2,259,599

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

Details of the deferred taxation are set out in note 39.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. PROFIT FOR THE YEAR

	2021 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 12)	7,579	3,972
Salaries and allowances (excluding directors' and chief executive's emoluments)	3,702,328	3,224,730
Retirement benefit scheme contributions (excluding directors' and chief executive's emoluments)	264,522	140,329
<b>Total staff costs</b>	<b>3,974,429</b>	3,369,031
Auditor's remuneration	4,200	4,200
Amortisation of intangible assets	5,765	4,463
Cost of inventories recognised as an expense excluded tax	82,885,582	65,934,553
Depreciation of property, plant and equipment	6,516,403	6,687,620
Depreciation of investment properties	2,277	135
Depreciation of right-of-use assets	188,259	208,905
Loss on disposal of property, plant and equipment	12,982	206,046
Research and development expenses (note)	850,696	702,971
Gross rental income from investment properties	7,536	–
Less: direct operating expenses incurred for investment properties that generated rental income during the year	–	–
	<b>7,536</b>	–

Note: Included in research and development expenses was staff cost of approximately RMB121,293,000 (2020: RMB119,374,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 12 (2020: 9) directors and the chief executive were as follows:

	Executive directors				Non-executive directors				Independent non-executive directors				Total	
	Zheng Shuliang	Zhang Bo	Zhang Ruilian	Wong Yuting <sup>1</sup>	Yang Congsen	Zhang Jinglei	Chen Yisong <sup>4</sup> (Zhang Hao as his alternative)	Li Zimin <sup>2</sup> (Zhang Hao as his alternative)	Sun Dongdong <sup>3</sup>	Xing Jian	Han Benwen	Dong Xinyi		Wen Xianjun <sup>3</sup>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>FOR THE YEAR ENDED 31 DECEMBER 2021</b>														
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings														
Fees	500	800	500	183	600	300	22	278	248	200	200	200	165	4,196
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings														
Other emoluments														
- Salaries, bonus and allowances	62	166	99	2,739	126	-	-	-	104	-	-	-	-	3,296
- Retirement benefit scheme contributions	-	15	14	30	14	-	-	-	14	-	-	-	-	67
	562	981	613	2,952	740	300	22	278	366	200	200	200	165	7,579

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

	Executive directors		Non-executive directors				Independent non-executive directors			Total RMB'000
	Zheng Shuliang RMB'000	Zhang Bo RMB'000	Zhang Ruilian RMB'000	Yang Congsen RMB'000	Zhang Jinglei RMB'000	Chen Yisong <sup>1</sup> (Zhang Hao as his alternate) RMB'000	Xing Jian RMB'000	Han Benwen RMB'000	Dong Xinyi RMB'000	
<b>FOR THE YEAR ENDED 31 DECEMBER 2020</b>										
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings										
Fees	500	800	500	600	300	300	200	200	200	3,600
Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiary undertakings										
Other emoluments										
- Salaries and allowances	45	134	83	98	-	-	-	-	-	360
- Retirement benefit scheme contributions	-	4	4	4	-	-	-	-	-	12
	545	938	587	702	300	300	200	200	200	3,972

1. Appointed on 20 August 2021.
2. Appointed on 27 January 2021.
3. Appointed on 5 March 2021.
4. Resigned on 27 January 2021.

None of the directors waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

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 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2020: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2020: three) individuals were as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	3,361	2,926
Retirement benefits scheme contributions	99	97
	<b>3,460</b>	<b>3,023</b>

Their emoluments were within the following bands:

	No. of employee	
	2021	2020
Nil to HK\$1,000,000 (nil to approximately RMB818,000)	1	1
HK\$1,000,001 to HK\$1,500,000 (approximately RMB818,000 to RMB1,226,000)	2	2
	<b>3</b>	<b>3</b>

## 14. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Dividends recognised as distribution during the year	<b>7,184,483</b>	<b>3,760,997</b>

Subsequent to the end of the reporting period, a final dividend of HK60 cents per share in respect of the year ended 31 December 2021 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

During the current year, a final dividend of HK50 cents per share in respect of the year ended 31 December 2020 and an interim dividend of HK45 cents per share in respect of the six months ended 30 June 2021 had been approved and paid.

During the year ended 31 December 2020, a final dividend of HK34 cents per share in respect of the year ended 31 December 2019 and an interim dividend of HK15 cents per share in respect of the six months ended 30 June 2020 had been approved and paid.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15. EARNINGS PER SHARE

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

	2021 RMB'000	2020 RMB'000
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share	16,073,342	10,495,936
Effect of dilutive potential ordinary shares:		
Interest expense on liability component of convertible bonds	394,141	–
Changes in fair values of derivatives component of convertible bonds	117,350	–
Exchange gain on translation of convertible bonds	(55,277)	–
Earnings for the purpose of diluted earnings per share	16,529,556	10,495,936
	2021 '000	2020 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	9,070,755	8,596,057
Effect of dilutive potential ordinary shares:		
Convertible bonds	585,087	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	9,655,842	8,596,057

The computation of diluted earnings per share for the year ended 31 December 2020 did not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Aircraft RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
At 1 January 2020	39,541,128	70,750,707	90,794	79,273	–	2,256,475	112,718,377
Additions	41,858	100,405	2,003	1,399	–	4,650,696	4,796,361
Transfer	1,612,505	1,340,542	–	–	–	(2,953,047)	–
Transfer to investment properties (note 19)	(3,278)	–	–	–	–	–	(3,278)
Disposal of a subsidiary (note 46)	(1,550)	(718)	–	(5)	–	(9,027)	(11,300)
Disposals	(687,838)	(11,211,238)	–	(6,151)	–	–	(11,905,227)
Exchange realignment	(307,226)	(109,430)	(826)	(788)	–	(1,090)	(419,360)
At 31 December 2020 and 1 January 2021	40,195,599	60,870,268	91,971	73,728	–	3,944,007	105,175,573
Additions	132,031	201,133	3,833	26,011	353,851	4,791,158	5,508,017
Transfer	540,066	1,218,767	2,748	–	–	(1,761,581)	–
Acquired on step acquisition from associate to subsidiary (note 45)	36,287	4,619	134	–	–	1,408,809	1,449,849
Disposals	(78,064)	(1,026,279)	(514)	(7,101)	–	–	(1,111,958)
Exchange realignment	(80,654)	(28,617)	(397)	(149)	(58)	(24,045)	(133,920)
At 31 December 2021	40,745,265	61,239,891	97,775	92,489	353,793	8,358,348	110,887,561
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
At 1 January 2020	10,075,361	31,088,055	66,267	43,054	–	426,266	41,699,003
Provided for the year	1,509,509	5,158,694	10,229	9,188	–	–	6,687,620
Impairment loss recognised in profit or loss	67,808	94,241	215	19	–	–	162,283
Transfer to investment properties (note 19)	(2,143)	–	–	–	–	–	(2,143)
Disposal of a subsidiary (note 46)	(117)	(107)	–	–	–	–	(224)
Eliminated on disposals	(575,870)	(7,446,358)	–	(5,403)	–	–	(8,027,631)
Exchange realignment	(61,360)	(31,127)	(743)	(466)	–	–	(93,696)
At 31 December 2020 and 1 January 2021	11,013,188	28,863,398	75,968	46,392	–	426,266	40,425,212
Provided for the year	1,546,805	4,950,326	8,975	6,365	3,932	–	6,516,403
Impairment loss recognised in profit or loss	1,022,839	460,304	–	–	–	–	1,483,143
Reversal of impairment loss	(74,794)	(96,845)	–	(78)	–	–	(171,717)
Eliminated on disposals	(26,602)	(745,402)	(421)	(5,391)	–	–	(777,816)
Exchange realignment	(19,403)	(9,764)	(299)	(93)	(50)	–	(29,609)
At 31 December 2021	13,462,033	33,422,017	84,223	47,195	3,882	426,266	47,445,616
<b>CARRYING VALUES</b>							
At 31 December 2021	27,283,232	27,817,874	13,552	45,294	349,911	7,932,082	63,441,945
At 31 December 2020	29,182,411	32,006,870	16,003	27,336	–	3,517,741	64,750,361

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Buildings	20-30 years
Plant and machinery	5-20 years
Furniture and fixtures	5-14 years
Motor vehicles	10 years
Aircraft	15 years

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

At 31 December 2021, certain of the Group's buildings with a net carrying amount of approximately RMB11,803,565,000 (2020: RMB12,203,099,000) were pledged to secure bank borrowings of the Group (note 34).

There are properties with a carrying amount of approximately RMB4,511,766,000 (2020: RMB4,681,319,000) located in the PRC of which the Group is in the process of obtaining the ownership certificates. In the opinion of the directors of the Company, there is no legal barrier or otherwise for the Group to obtain the relevant title ownership certificates for these buildings from the relevant PRC authority.

When any indicators of impairment or reversal of impairment are identified, property, plant and equipment are reviewed for impairment or reversal of impairment based on each CGU. The CGU is an individual plant 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 comparison approach is used to measure the fair value less costs of disposal of the CGU which is based on the recent transaction prices for similar property, plant and equipment adjusted for nature, location and conditions of the relevant assets.

During the year ended 31 December 2021, due to the relocation of certain plant and equipment, the directors of the Company suspended certain plant and equipment and conducted a review and determined that a number of those assets were impaired. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets were impaired to their recoverable amount of approximately RMB2,376,345,000, which is their carrying values at year end and the impairment of RMB1,483,143,000 has been recognised in profit or loss within the relevant functions to which these assets relate during the year.



# Notes to the Consolidated Financial Statements

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## 16. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the year ended 31 December 2020, due to the coal consumption reduction alternative work programme introduced by the relevant governmental regulations, the directors of the Company 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. The recoverable amounts of relevant property, plant and equipment was determined on the basis of fair value less costs of disposal. The relevant assets were impaired to their recoverable amount of approximately RMB6,230,849,000, which is their carrying values at year end and the impairment of approximately RMB162,283,000 was recognised in profit or loss within the relevant functions to which these assets relate during the year.

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 31 December 2021 and 2020 were performed by Wanlong (Shanghai) Assets Assessment Co, Ltd ("Wanlong"), an independent qualified professional valuer not connected with the Group. Wanlong has appropriate qualifications and has recent experience in the valuation of similar property, plant and equipment in the relevant industries.

The Group recognised amount of approximately RMB171,717,000 (2020: nil) in respect of the reversal of property, plant and equipment which were sold at profit for the year ended 31 December 2021.

There were no transfers between levels of fair value hierarchy during the year.



# Notes to the Consolidated Financial Statements

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## 17. LEASES

### (i) Right-of-use assets

	Land use rights RMB'000	Properties RMB'000	Vessels, crew boats and crane barge RMB'000	Total RMB'000
<b>COST</b>				
As at 1 January 2020	5,233,587	90,826	22,672	5,347,085
Additions	735,440	25,980	–	761,420
Disposals	(56,477)	–	–	(56,477)
Disposal of a subsidiary (note 46)	(10,690)	–	–	(10,690)
Transfer to investment properties (note 19)	(4,312)	–	–	(4,312)
Exchange realignment	(1,912)	(176)	(1,684)	(3,772)
At 31 December 2020 and 1 January 2021	5,895,636	116,630	20,988	6,033,254
Additions	228,745	19,891	–	248,636
Acquired on step acquisition from associate to subsidiary (note 45)	112,264	–	–	112,264
Transfer to investment properties (note 19)	(191,369)	–	–	(191,369)
Transfer from investment properties (note 19)	164,376	–	–	164,376
Early termination of lease	–	(39,159)	–	(39,159)
Modification of lease term	–	6,054	–	6,054
Exchange realignment	(502)	(104)	(798)	(1,404)
At 31 December 2021	6,209,150	103,312	20,190	6,332,652
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>				
As at 1 January 2020	172,451	16,646	5,573	194,670
Depreciation for the year	176,034	24,641	8,230	208,905
Eliminated on disposals	(14,456)	–	–	(14,456)
Disposal of a subsidiary (note 46)	(298)	–	–	(298)
Transfer to investment properties (note 19)	(1,259)	–	–	(1,259)
Exchange realignment	–	(132)	(727)	(859)
At 31 December 2020 and 1 January 2021	332,472	41,155	13,076	386,703
Depreciation for the year	165,095	15,403	7,761	188,259
Early termination of lease	–	(12,452)	–	(12,452)
Impairment loss recognised in profit or loss	77,469	–	–	77,469
Transfer to investment properties (note 19)	(24,961)	–	–	(24,961)
Exchange realignment	–	(84)	(647)	(731)
At 31 December 2021	550,075	44,022	20,190	614,287
<b>CARRYING VALUES</b>				
At 31 December 2021	5,659,075	59,290	–	5,718,365
At 31 December 2020	5,563,164	75,475	7,912	5,646,551

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. LEASES (Continued)

### (i) Right-of-use assets (Continued)

As at 31 December 2021, right-of-use assets of RMB5,659,075,000 (2020: RMB5,563,164,000) represents land use rights located in the PRC and Indonesia for a period of 20 to 70 years. As at 31 December 2021, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB303,713,000 (2020: RMB599,505,000). In the opinion of the directors of the Company, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

During the year ended 31 December 2021, the Group terminated the lease of two office premises and derecognised right-of-use assets and lease liabilities of approximately RMB26,707,000 and RMB27,491,000 respectively, resulting in a gain on early termination of lease of approximately RMB784,000 being recognised in the consolidated statement of profit or loss and other comprehensive income for the year.

During the year ended 31 December 2021, due to the sale and purchase of two land use rights within the group entities, the directors of the Company have conducted a review of the two land use rights and determined that they were impaired. The recoverable amounts of the two land use rights were determined on the basis of their fair value less costs of disposal. Market comparison approach is used to measure the fair value less costs of disposal of the land use rights which is based on the recent transaction prices for similar land use rights adjusted for nature, location and conditions of the land use rights. The fair value measurement is categorised into Level 2 fair value hierarchy. The relevant assets were impaired to their recoverable amount of approximately RMB539,951,000 (2020: nil), which is their carrying values at year end and the impairment of RMB77,469,000 (2020: nil) has been recognised in profit or loss within the relevant functions to which these assets relate during the year.

The recoverable amounts of the two land use rights at 31 December 2021 were arrived at on the basis of a valuation carried out on that date by Shandong Xintiandi Assets Appraisal Co., Ltd. \* ("Shandong Xintiandi") 山東新天地土地房地產資產評估有限公司, an independent qualified professional valuer not connected with the Group. Shandong Xintiandi has appropriate qualifications and has recent experience in the valuation of similar properties in the relevant locations. There were no transfers between levels of fair value hierarchy during the year.

The Group has lease arrangements for office premises, factories, vessels, crew boats and crane barges. The lease terms are generally ranged from 2 to 20 years (2020: ranged from 2 to 20 years).

At 31 December 2021, certain of the Group's right-of-use assets with a net carrying amount of approximately RMB499,916,000 (2020: RMB293,636,000) were pledged to secure bank borrowings of the Group (note 34).

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. LEASES (Continued)

### (ii) Lease liabilities

	2021 RMB'000	2020 RMB'000
Non-current	51,359	58,609
Current	10,372	25,080
	<b>61,731</b>	<b>83,689</b>

Amounts payable under lease liabilities

	2021 RMB'000	2020 RMB'000
Within one year	10,372	25,080
After one year but within two years	7,891	12,308
After two years but within five years	12,409	10,203
After five years	31,059	36,098
	<b>61,731</b>	<b>83,689</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(10,372)</b>	<b>(25,080)</b>
Amount due for settlement after 12 months	<b>51,359</b>	<b>58,609</b>

During the year ended 31 December 2021, the Group entered into a new lease agreement in respect of factory and modified a lease agreement for office premises and recognised lease liability of approximately RMB25,945,000 (2020: a new lease agreement in respect of factory of approximately RMB25,908,000).

### (iii) Amounts recognised in profit or loss

	Year ended	
	31 December 2021 RMB'000	31 December 2020 RMB'000
Interest expense on lease liabilities	<b>2,453</b>	3,633

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. LEASES (Continued)

### (iv) Others

During the year ended 31 December 2021, the total cash outflow for leases amounted to approximately RMB22,679,000 (2020: RMB35,452,000).

#### *Restrictions or covenants on leases*

As at 31 December 2021, lease liabilities of RMB61,731,000 are recognised with related right-of-use assets of RMB59,290,000 (2020: lease liabilities of RMB83,689,000 and related right-of-use assets of RMB75,475,000). The lease agreements do not impose any covenants and restriction.

## 18. INTANGIBLE ASSETS

	Patents RMB'000
<b>COST</b>	
At 1 January 2020	32,595
Additions	7,008
At 31 December 2020 and 1 January 2021	39,603
Additions	10,931
At 31 December 2021	50,534
<b>ACCUMULATED AMORTISATION</b>	
At 1 January 2020	7,711
Provided for the year	4,463
At 31 December 2020 and 1 January 2021	12,174
Provided for the year	5,765
At 31 December 2021	17,939
<b>CARRYING VALUES</b>	
At 31 December 2021	32,595
At 31 December 2020	27,429

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. INVESTMENT PROPERTIES

	RMB'000
<b>COST</b>	
At 1 January 2020	–
Transfer from owner-occupied properties (note 16)	1,135
Transfer from right-of-use assets (note 17)	3,053
At 31 December 2020 and 1 January 2021	4,188
Transfer from right-of-use assets (note 17)	166,408
Transfer to right-of-use assets (note 17)	(166,408)
At 31 December 2021	4,188
<b>ACCUMULATED DEPRECIATION</b>	
At 1 January 2020	–
Provided for the year	135
At 31 December 2020 and 1 January 2021	135
Provided for the year	2,277
Transfer to right-of-use assets (note 17)	(2,032)
At 31 December 2021	380
<b>CARRYING VALUES</b>	
At 31 December 2021	3,808
At 31 December 2020	4,053

During the year ended 31 December 2021, the Group transferred a property with carrying amounts of approximately RMB166,408,000 from right-of-use assets to investment property due to the change in use, which evidenced by inception of an operating lease to another party. Such investment property were then transferred to the right-of-use assets upon early termination of the operating lease.

During the year ended 31 December 2020, the Group had transferred a property with carrying amounts of approximately RMB1,135,000 and RMB3,053,000 from property, plant and equipment and right-of-use assets respectively to investment properties due to the change in use, which evidenced by inception of an operating lease to another party.

The fair value of the Group's investment properties as at 31 December 2021 was approximately RMB7,340,000 (2020: RMB7,800,000). The fair value has been arrived at with reference to a valuation carried out by ZhongJing Minxin (Beijing) Assets Appraisal Co., Ltd., an independent qualified professional valuer, not connected to the Group. The fair value was determined with reference to recent market prices for similar properties in similar locations and conditions. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The above investment properties are depreciated on a straight-line basis over the terms of the lease of 5 years.

The fair value hierarchy as at 31 December 2021 of the investment properties of the Group were at Level 3. There were no transfers between levels of fair value hierarchy during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the investment properties as at 31 December 2021 were determined (in particular, the valuation techniques and inputs used):

	Fair value hierarchy	Fair value as at 31 December 2021 RMB'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Investment properties	Level 3	7,340 (2020: 7,800)	Income approach – by reference to capitalised income derived from committed tenancies	Prevailing market rents	The higher the prevailing market rent, the lower the fair value

## 20. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Costs of investments in associates	3,360,435	4,036,695
Share of profits and other comprehensive income, net of dividends received	2,003,236	1,926,788
Loan to an associate	5,363,671 701,327	5,963,483 717,739
	<b>6,064,998</b>	6,681,222

The loan to an associate of US\$110,000,000, equivalent to approximately RMB701,327,000, (2020: US\$110,000,000, equivalent to approximately RMB717,739,000) is unsecured, interest-free and repayable after one year.

The Group's payable balances with the associates are disclosed in note 50.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2021 and 2020, 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
					2021	2020	2021	2020	
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. * 中衡協力投資有限公司	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
Shandong Weiqiao Luhui 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	- (note iii)	20%	- (note iii)	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%	40%	40%	Green facilities innovation
Zouping Binneng Energy Technology Co., Ltd. ("Binneng Energy") * 鄒平濱能能源科技有限公司	Incorporated	PRC	PRC	Ordinary	45%	45%	45%	45%	Trading of electricity
Beijing Honghua Zhida Technology Development Co., Ltd. * ("Honghua Zhida") 北京宏華智達科技發展有限公司	Incorporated	PRC	PRC	Ordinary	- (note ii)	45%	- (note ii)	45%	Technology promotion and development
Shandong Zhilu High Performance Alloy Material Co., Ltd. * 山東智鋁高性能合金材料有限公司	Incorporated	PRC	PRC	Ordinary	35%	35%	35%	35%	Trading of light alloy materials

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2021 and 2020, 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
					2021	2020	2021	2020	
Shandong Weiqiao Haiyi Environmental Protection Technology Co., Ltd. ("Weiqiao Haiyi") * 山東魏橋海逸環保科技有限公司	Incorporated	PRC	PRC	Ordinary	30%	30%	30%	30%	Waste recycling
Suzhou Aojie Auto Technology Co., Ltd. * ("Suzhou Aojie") 蘇州奧傑汽車技術股份有限公司	Incorporated	PRC	PRC	Ordinary	- (note iii)	14.13%	- (note iii)	20% (note i)	Design and consulting service of motor vehicles
Winning Consortium Simandou Railway Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	25%	25%	25%	25%	Railway operation
Winning Consortium Simandou Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	25%	25%	25%	25%	Trading of iron ore
Winning Consortium Simandou Ports Pte. Ltd.	Incorporated	Singapore	Singapore	Ordinary	25%	25%	25%	25%	Ports operation
Shandong High-end Aluminum Community Management Operation Co., Ltd. * ("Shandong High-end Aluminum Community") 山東省高端鋁共同體管理運營有限公司	Incorporated	PRC	PRC	Ordinary	19.27%	-	28.57% (note iv)	-	Inactive
Lightweight (Shandong) Investment Partnership (Limited Partnership) * 輕量化(山東)投資合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	49.5%	-	49.5%	-	Research and development of lightweight products.
Shandong Binhong Photovoltaic New Energy Co., Ltd * 山東濱宏光伏新能源有限公司	Incorporated	PRC	PRC	Ordinary	20%	-	20%	-	Inactive
Beijing Honghua Science and Technology Innovation No. 1 Enterprise Management Partnership (Limited Partnership) * 北京宏華科創一號企業管理合夥企業(有限合夥)	Incorporated	PRC	PRC	Ordinary	46.7%	-	46.7%	-	Business advisory



# Notes to the Consolidated Financial Statements

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## 20. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2021 and 2020, the Group had interests in the following material associates: (Continued)

Notes:

- i. The Group is able to exercise significant influence over Suzhou Aojie because it has the power to appoint one out of the five directors of that company under the provisions stated in the Articles of Association of that company.
  - ii. The remaining interest of the associate was acquired by the Group during the year ended 31 December 2021. Details are set out in note 45.
  - iii. Disposed during the year ended 31 December 2021.
  - iv. The Group is able to exercise significant influence over Shandong High-end Aluminum Community because it has the power to appoint two out of the seven directors of that company under the provisions stated in the Articles of Association of that company.
- \* The English translation is for reference only.

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

	2021 RMB'000	2020 RMB'000
Current assets	8,585,780	8,283,257
Non-current assets	616	630
Current liabilities	(1,853,119)	(2,113,492)
Non-current liabilities	(701,327)	(717,739)
Revenue	5,964,689	6,232,162
Profit for the year	698,392	187,841
Other comprehensive expense for the year	(119,098)	(391,121)
Total comprehensive income (expense) for the year	579,294	(203,280)
Elimination of unrealised profits	(84,689)	–

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

	2021 RMB'000	2020 RMB'000
Net assets of the associate	6,031,950	5,452,656
Proportion of the Group's ownership interest in ABM	25%	25%
Carrying amount of the Group's interest in ABM	1,507,988	1,363,164

# Notes to the Consolidated Financial Statements

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## 20. INTERESTS IN ASSOCIATES (Continued)

### Binneng Energy

	2021 RMB'000	2020 RMB'000
Non-current assets	11,900,941	12,667,702
Current assets	6,732,286	2,555,801
Non-current liabilities	(7,238,072)	(6,250,000)
Current liabilities	(5,698,583)	(3,082,405)
Revenue	12,340,113	9,757,846
(Loss) profit for the year and total comprehensive (expense) income for the year	(194,526)	991,660
Elimination of unrealised profits	18,810	(18,810)

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

	2021 RMB'000	2020 RMB'000
Net assets of the associate	5,696,572	5,891,098
Proportion of the Group's ownership interest in Binneng Energy	45%	45%
Carrying amount of the Group's interest in Binneng Energy	2,563,457	2,650,994

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:

	2021 RMB'000	2020 RMB'000
The Group's share of profit	36,581	39,252
The Group's share of other comprehensive expense	(2,295)	(10,923)
The Group's share of total comprehensive income	34,286	28,329
Elimination of realised profits	3,756	939

	2021 RMB'000	2020 RMB'000
Carrying amount of the Group's interests in immaterial associates	1,292,226	1,949,325

In the prior year, the Group held a 14.13% interest in Suzhou Aojie and accounted for the investment as an associate. During the year, the Group disposed of 14.13% interest in Suzhou Aojie to Lightweight (Shandong) Investment Partnership (Limited Partnership), an associate of the Group, for a consideration of RMB104,562,000. No gain or loss was recognised in profit or loss for the year ended 31 December 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 21. LOAN TO AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
<b>Non-current portion</b>		
Loan to an associate	2,000,000	–
<b>Current portion</b>		
Loan to an associate	–	2,000,000

The balance of loan to an associate was secured by plant and equipment of the associate, bearing interest at 6% (2020: 6%) per annum and repayable on 20 June 2025 (2020: 20 June 2021). During the year ended 31 December 2021, the Group renewed the loan to an associate of RMB2,000,000,000 for another 4 years upon the expiry on June 2021 bearing the interest rate at 6% per annum.

## 22. GOODWILL

	2021 RMB'000	2020 RMB'000
<b>COST</b>		
At beginning and the end of the financial year	1,934,457	1,934,457
<b>IMPAIRMENT</b>		
At beginning of the financial year	1,656,233	1,325,639
Impairment loss recognised during the year	–	330,594
At the end of the financial year	1,656,233	1,656,233
<b>CARRYING AMOUNT</b>		
At 31 December	278,224	278,224

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

During the year ended 31 December 2021, no impairment loss was recognised (2020: RMB330,594,000 in relation to goodwill arising on acquisition of Hongchuang and Binzhou Municipal Beihai Xinhe New Material Co., Ltd.\* (.Beihai Xinheth). The impairment loss of goodwill was resulted from decline in quoted share price of Hongchuang and decrease in value-in-use of Beihai Xinhe for the year ended 31 December 2020.

### Impairment test on goodwill

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

	2021 RMB'000	2020 RMB'000
Manufacture and selling of aluminum products in Beihai, the PRC (Unit A)	–	–
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)	197,806	197,806
	278,224	278,224

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. GOODWILL (Continued)

### Impairment test on goodwill (Continued)

For the purpose of impairment assessment, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill are also included in the respective CGU.

\* The English translation is for reference only.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

#### *Unit A*

During the year ended 31 December 2020, the recoverable amount of this unit was RMB9,058,100,000 and determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 21.33%. Unit A's cash flows beyond the 5-year period are extrapolated using a perpetual growth rate of 3%. The financial budgets estimated was 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 including but not limited to the impacts of COVID-19 pandemic. 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.

During the year ended 31 December 2020, the Group recognised an impairment loss of approximately RMB231,351,000 in relation to goodwill arising on acquisition of Unit A and Unit A was fully impaired.

#### *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 5-year period, and a pre-tax discount rate of 21.33% (2020: 21.33%). Unit B's cash flows beyond the 5-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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22. GOODWILL (Continued)

### Impairment test on goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below: (Continued)

#### *Unit B (Continued)*

During the year ended 31 December 2021, the Group determines that there are no impairment (2020: nil) to be recognised in relation to goodwill arising on acquisition of Unit B.

#### *Hongchuang*

The recoverable amount of this CGU was approximated to RMB703,155,000 (2020: RMB706,702,000) has been determined based on fair value less costs of disposal, which is determined by reference to the quoted share price of Hongchuang and relevant transaction costs.

The fair value hierarchy as at 31 December 2021 and 2020 of Hongchuang are at Level 2. There were no transfers between levels of fair value hierarchy during the year.

During the year ended 31 December 2021, no impairment loss (2020: approximately RMB99,243,000) was recognised in relation to goodwill arising on acquisition of Hongchuang.

If the quoted share price was decreased by 5%, while other parameters remain constant, the recoverable amount of Hongchuang would be reduced to approximately RMB667,997,000 and no impairment loss in relation to goodwill arising on acquisition would be recognised.

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”)

Financial assets at FVTOCI comprise:

	2021 RMB'000	2020 RMB'000
Equity instruments as at FVTOCI		
– Listed	904,278	633,652
– Unlisted	154,628	–
	<b>1,058,906</b>	633,652

The fair value of these investments is disclosed in note 44.

# Notes to the Consolidated Financial Statements

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## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”) (Continued)

Investments in listed equity securities represent the Group’s investment in Bank of Jinzhou and Weihai City Commercial Bank Co., Ltd, companies listed in Hong Kong, of approximately RMB179,332,000 (2020: RMB250,596,000) and RMB724,946,000 (2020: RMB383,056,000) respectively.

Bank of Jinzhou engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the China Banking Regulatory Commission. Weihai City Commercial Bank Co., Ltd engaged in the provision of corporate and retail deposits, loans and advances, payment and settlement services.

Investment in unlisted equity security represents the Group’s equity interest in private entity issued by private entity established in the PRC of approximately RMB154,628,000 (2020: nil). The private entity is engaged in casting aluminium alloy, aluminium sheet, strip, foil, car wheel, casting steel and casting iron, along with trade and logistics.

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments’ fair value in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

## 24. INVENTORIES

	2021 RMB’000	2020 RMB’000
Raw materials	13,994,772	13,181,335
Work in progress	8,151,882	6,015,670
Finished goods	558,451	520,806
	<b>22,705,105</b>	19,717,811

During the year, the write-down of inventories of approximately RMB129,155,000 (2020: RMB106,227,000) was recognised and included in other expenses.

During the year, inventories previously impaired were sold at profit or used. As a result, a reversal of write-down of inventories of approximately RMB39,108,000 (2020: RMB88,975,000) was recognised and included in other income and gains.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	7,292,695	10,342,754
Less: allowance for impairment losses	(7,942)	(7,186)
	<b>7,284,753</b>	10,335,568

As at 1 January 2020, the trade receivables from contracts with customers amounted to RMB10,318,327,000.

At as 31 December 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB7,292,695,000 (2020: RMB10,342,754,000).

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

	2021 RMB'000	2020 RMB'000
Within 3 months	5,667,769	8,691,846
3 to 12 months	1,613,686	1,642,343
12 to 24 months	3,298	1,379
	<b>7,284,753</b>	10,335,568

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25. 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 2021, lifetime ECL of approximately RMB7,942,000 (2020: RMB7,186,000) was made in respect of trade receivables with gross amount of RMB7,942,000 (2020: RMB7,186,000) as they are determined to be credit-impaired which aged over 3 years. For the remaining balance of approximately RMB7,284,753,000 (2020: RMB10,335,568,000), 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 2021

	Trade receivables days past due						Total
	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	
ECL rate	0%	0.009%	0.008%	2.933%	50.277%	100%	
Gross carrying amount (RMB'000)	6,691,921	557,539	35,293	-	-	7,942	7,292,695
Lifetime ECL (RMB'000)	-	-	-	-	-	7,942	7,942

### For the year ended 31 December 2020

	Trade receivables days past due						Total
	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	
ECL rate	0%	0.001%	0.001%	0.570%	100%	100%	
Gross carrying amount (RMB'000)	9,783,898	539,230	12,440	-	-	7,186	10,342,754
Lifetime ECL (RMB'000)	-	-	-	-	-	7,186	7,186

The movement in the allowance for impairment of trade receivables is set out below:

	2021 RMB'000	2020 RMB'000
At 1 January	7,186	7,001
Impairment loss recognised	756	185
At 31 December	7,942	7,186



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. BILLS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Bills receivables	11,918,515	9,157,692

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

	2021 RMB'000	2020 RMB'000
Within 3 months	6,653,877	5,824,650
3 to 6 months	4,864,308	3,031,787
Over 6 months	400,330	301,255
	<b>11,918,515</b>	<b>9,157,692</b>

### TRANSFERS OF FINANCIAL ASSETS

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

	2021 RMB'000	2020 RMB'000
Bills receivables endorsed to suppliers with full recourse (note)		
Carrying amount of transferred assets	11,356,482	8,962,654
Carrying amount of trade payables	(11,353,952)	(8,929,069)
Carrying amount of other payables	(2,530)	(33,585)
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 2021 and 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. PREPAYMENTS AND OTHER RECEIVABLES

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

	2021 RMB'000	2020 RMB'000
Prepayments to suppliers	3,240,549	1,401,177
Prepayments to an associate (note (ii))	3,626,005	3,617,585
Value-added tax recoverable	2,974,375	1,173,192
CIT refundable	53,010	54,862
Prepayment for acquisition of right-of-use assets	541,210	119,260
Receivables arising from dealing with futures	317,691	294,480
Receivables arising from disposal of plant and equipment (note (iii))	–	1,500,000
Receivables arising from disposal of non-current assets classified as held for sale	–	389,873
Factoring receivables (note (i))	323,934	466,918
Interest receivables	24,526	23,226
Dividend receivables	–	28,009
Others	235,344	234,945
	<b>11,336,644</b>	9,303,527
Less: allowance for impairment losses	<b>(26,938)</b>	(57,997)
	<b>11,309,706</b>	9,245,530
Analysed as		
Current	<b>10,768,496</b>	9,126,270
Non-current	<b>541,210</b>	119,260
	<b>11,309,706</b>	9,245,530

Notes:

- (i) The factoring receivables will be received within one year and carrying interest rate of 10% per annum.
- (ii) On 21 June 2019, the Group entered into an electricity procurement agreement with an associate of the Group, pursuant to which the Group agreed to provide a prepayment to the associate for the supply of electricity.
- (iii) On 18 March 2020, the Group had entered into a sales and purchase agreement with an independent third party agreed to dispose 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 RMB1,500,000,000 was received during the year ended 31 December 2020. The remaining balance of RMB1,500,000,000 was guaranteed by the acquirer's wholly-owned subsidiary which also was one of the major suppliers of the Group. The balance of RMB1,500,000,000 was received in February 2021.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group recognised lifetime ECL and 12-month ECL for other receivables based on individually significant customers as follows:

### For the year ended 31 December 2021

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables – Default	26,039	(26,039)	–
Other receivables – Doubtful	323,934	(899)	323,035
Other receivables – Performing	551,522	–	551,522
	<b>901,495</b>	<b>(26,938)</b>	<b>874,557</b>

### For the year ended 31 December 2020

	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Other receivables-Default	29,515	(29,515)	–
Other receivables-Doubtful	466,918	(28,482)	438,436
Other receivables-Performing	2,441,018	–	2,441,018
	<b>2,937,451</b>	<b>(57,997)</b>	<b>2,879,454</b>

\* 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:

	2021 RMB'000	2020 RMB'000
At 1 January	57,997	40,700
Reversal of impairment loss	(31,059)	–
Impairment loss recognised	–	17,297
At 31 December	<b>26,938</b>	<b>57,997</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 28. FINANCIAL ASSET AT AMORTISED COST

	2021 RMB'000	2020 RMB'000
<b>Financial asset at amortised cost</b>		
Collective investment trust (note)	2,499,000	2,499,000

Note: The collective investment trust represents asset income trust with 2,499,000,000 units at RMB1 per unit issued by CITIC Trust Co., Ltd. ("CITIC Trust") \*中信信託有限責任公司 and will be matured on 3 January 2022. The asset income trust carries fixed interest rate of 7.22% per annum. In November 2021, the asset income trust was extended and will be matured in January 2025 and carries fixed interest rate of 5.78% per annum in January 2022.

\* The English translation is for reference only.

## 29. OTHER FINANCIAL ASSET/LIABILITIES

	2021 RMB'000	2020 RMB'000
<b>Other financial asset</b>		
Interest rate swaps contracts	99	-
<b>Other financial liabilities</b>		
Capped forward contract	4,497	1,848
Interest rate swaps contracts	-	3,094
	4,497	4,942

Major terms of the capped forward contract are as follows:

### Years ended 31 December 2021 and 2020

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

Major terms of the interest rate swaps are as follows:

### Year ended 31 December 2021

Notional amount	Maturity	Swaps
US\$55,000,000	28 April 2023	From 0.58% per annum to 1-Month US\$-LIBOR

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. OTHER FINANCIAL ASSET/LIABILITIES (Continued)

Year ended 31 December 2020

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

## 30. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	49,227,282	45,465,361
Restricted bank deposits	1,623,874	1,542,098
	<b>50,851,156</b>	47,007,459
Less:		
Restricted bank deposits:		
– pledged for bills payable	(1,106,220)	(1,027,301)
– pledged for issuance of letter of credit	(237,075)	(200,581)
– pledged for guarantee issued	(280,579)	(314,216)
Cash and cash equivalents	<b>49,227,282</b>	45,465,361

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

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

Bank balances and short-term time deposits carry interest at market rates which ranged from 0.05% to 1.50% (2020: 0.05% to 1.50%) per annum.

Restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and guarantees issued by the Group. The restricted bank deposits carry fixed interest rate ranged from 0.05% to 1.55% (2020: 0.05% to 1.55%) per annum.

Details of impairment assessment of bank balances and restricted bank deposits are set out in note 44.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 31. CHANGES IN FAIR VALUES OF FINANCIAL INSTRUMENTS

	2021 RMB'000	2020 RMB'000
Changes in fair values of arising from:		
– capped forward contract	(2,649)	(2,667)
– interest rate swaps contracts	3,193	206
– derivatives component of convertible bonds (note 38)	(117,350)	(288,794)
	<b>(116,806)</b>	<b>(291,255)</b>

## 32. TRADE AND BILLS PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables to third parties	15,145,101	10,997,877
Trade payables to an associate	1,065,148	251,263
Trade payables to related parties	69,157	41,754
	<b>16,279,406</b>	<b>11,290,894</b>
Bills payables	2,455,810	2,086,175
	<b>18,735,216</b>	<b>13,377,069</b>

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2021 RMB'000	2020 RMB'000
Within 6 months	15,981,498	10,773,004
6 to 12 months	159,869	53,043
1 to 2 years	82,229	430,815
More than 2 years	55,810	34,032
	<b>16,279,406</b>	<b>11,290,894</b>

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 six months. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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

# Notes to the Consolidated Financial Statements

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## 33. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Payables on property, plant and equipment	3,943,894	4,370,139
Retention payables	2,065,755	1,503,546
Accrued payroll and welfare (note (i))	685,650	664,795
Contract liabilities (note (ii))	1,767,103	1,248,332
Dividend payables	9	10
Interest payable	610,976	1,473,016
Other taxes payables	1,699,775	2,206,457
Others	706,797	639,379
	<b>11,479,959</b>	<b>12,105,674</b>

Notes:

(i) Included in the accrued payroll and welfare as at 31 December 2021 were accrued directors payroll and welfare of approximately RMB4,174,000 (2020: RMB3,700,000). The amount is unsecured, non-interest bearing and repayable on demand.

(ii) Contract liabilities include advances received to deliver goods.

As at 1 January 2020, contract liabilities amounted to RMB2,381,094,000.

The significant increase in contract liabilities in 2021 were mainly due to continuous increase in the number of contracts and customer base.

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities at the beginning of the year is approximately RMB1,248,332,000 (2020: RMB2,381,094,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

## 34. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
<b>Current</b>		
Secured bank borrowings (note (iii))	3,085,699	2,993,512
Unsecured bank borrowings	17,925,174	19,783,888
	<b>21,010,873</b>	<b>22,777,400</b>
<b>Non-current</b>		
Secured bank borrowings (note (iii))	6,401,495	5,460,243
Unsecured bank borrowings (note (i))	8,969,383	6,023,255
	<b>15,370,878</b>	<b>11,483,498</b>
	<b>36,381,751</b>	<b>34,260,898</b>

# Notes to the Consolidated Financial Statements

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## 34. BANK BORROWINGS (Continued)

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

	2021 RMB'000	2020 RMB'000
Within one year	21,010,873	22,777,400
In the second year	9,187,595	5,908,546
In the third to fifth years, inclusive	4,859,769	4,518,748
Over fifth years	1,323,514	1,056,204
	<b>36,381,751</b>	<b>34,260,898</b>

	2021 RMB'000	2020 RMB'000
Amounts shown under current liabilities	21,010,873	22,777,400
Amounts shown under non-current liabilities	15,370,878	11,483,498
	<b>36,381,751</b>	<b>34,260,898</b>

The exposure of the Group's fixed-rate bank borrowings denominated in RMB at interest rate ranged from 1.23% to 8.50% (2020: 2.45% to 8.00%) per annum and the contractual maturity dates (or reset dates) are as follows:

	2021 RMB'000	2020 RMB'000
Fixed-rate borrowings:		
Within one year	19,629,937	4,341,943

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 LIBOR. Details of impact on interest rate benchmark reform – phase 2 are set out in note 44.

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

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	1.23% to 8.50%	2.45% to 8.00%
Variable-rate borrowings	3.50% to 5.22%	4.35% to 6.09%



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 34. BANK BORROWINGS (Continued)

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

	2021 RMB'000	2020 RMB'000
US\$	6,596,617	4,472,920

Notes:

- (i) Bank borrowings of approximately RMB960,000,000 (2020: RMB1,299,000,000) are guaranteed by a related party as set out in note 50.
- (ii) As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2021 RMB'000	2020 RMB'000
Floating rate – expiring within one year	22,524,902	20,769,432

- (iii) Secured bank borrowings of the Group are secured by the Group's property, plant and equipment and right-of-use assets which were set out in notes 16 and 17 respectively.

## 35. SHORT-TERM DEBENTURES AND NOTES

	2021 RMB'000	2020 RMB'000
Short-term debentures and notes	1,500,000	–

The details of the unsecured short-term debentures and notes issued and outstanding as at 31 December 2021 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Interest rate	Date of maturity
Short-term debentures A	12 November 2021	1,000,000	3.98%	12 November 2022
Short-term debentures B	21 October 2021	500,000	4.10%	21 October 2022

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. MEDIUM-TERM DEBENTURES AND BONDS

	2021 RMB'000	2020 RMB'000
Medium-term debentures and bonds-due within one year	3,598,649	22,774,698
Medium-term debentures and bonds-due after one year	9,544,944	13,345,378
	<b>13,143,593</b>	<b>36,120,076</b>

The details of the unsecured medium-term debentures and bonds issued and outstanding as at 31 December 2021 and 2020 are set out as follows:

Debentures	Date of issue	Principal amount RMB'000	Nominal interest Rate	Effective interest Rate	Date of maturity
<b>Unlisted</b>					
Medium-term debentures C	25 October 2016	Nil (31 December 2020: 1,000,000)	3.87%	4.21%	26 October 2021
Medium-term debentures D	3 November 2016	Nil (31 December 2020: 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	Nil (31 December 2020: 1,000,000)	7.50%	7.85%	6 March 2021
Medium-term debentures I	18 April 2018	Nil (31 December 2020: 1,000,000)	7.30%	7.65%	19 April 2021
Medium-term debentures J	20 April 2018	Nil (31 December 2020: 1,300,000)	6.75%	7.09%	23 April 2021
Medium-term debentures K	25 April 2018	Nil (31 December 2020: 1,000,000)	6.73%	7.07%	27 April 2021
Medium-term debentures L	26 April 2018	Nil (31 December 2020: 1,000,000)	6.90%	7.24%	27 April 2021
Medium-term debentures M	24 May 2018	Nil (31 December 2020: 1,000,000)	7.47%	7.82%	25 May 2021
Medium-term debentures N	13 August 2018	Nil (31 December 2020: 1,000,000)	7.40%	7.67%	16 August 2021
Medium-term debentures O	23 August 2018	Nil (31 December 2020: 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
<b>Listed</b>					
Enterprise bonds A	3 March 2014	Nil (31 December 2020: 1,149,960)	8.69%	8.91%	3 March 2021
Enterprise bonds B	21 August 2014	Nil (31 December 2020: 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	Nil (31 December 2020: 1,064,213)	7.30%	7.43%	14 January 2021
Enterprise bonds E	14 January 2016	Nil (31 December 2020: 521,956)	4.88%	5.11%	14 January 2021
Enterprise bonds F	27 January 2016	Nil (31 December 2020: 953,695)	7.00%	4.73%	27 January 2021
Enterprise bonds G	24 February 2016	Nil (31 December 2020: 1,198,240)	6.70%	4.27%	24 February 2021
Enterprise bonds H	10 March 2016	Nil (31 December 2020: 3,500,000)	6.50%	4.50%	10 March 2021
Enterprise bonds I	10 March 2016	Nil (31 December 2020: 500,000)	4.83%	5.06%	10 March 2021
Enterprise bonds J	22 March 2016	Nil (31 December 2020: 2,000,000)	6.30%	4.43%	22 March 2021
Enterprise bonds K	17 October 2016	5,521,045 (31 December 2020: 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
Enterprise bonds M	11 June 2021	500,000	4.90%	5.05%	11 June 2023
Enterprise bonds N	11 June 2021	500,000	5.60%	5.81%	11 June 2024
Enterprise bonds O	20 August 2021	1,000,000	4.16%	4.26%	20 August 2024
Private placement enterprise bond B	15 July 2016	Nil (31 December 2020: 26,000)	6.80%	4.73%	3 March 2021

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

Debentures C, D, E, F, G, H, I, J, K, L, M, N, O and P were issued to various independent third parties according to the approvals issued by NAFMII and enterprise bonds A, B and C were issued according to the approvals issued by National Development and Reform Commission and listed on Shanghai Stock Exchange while enterprise bonds D, E, F, G, H, I, J, K, L, M, N, O and private placement enterprise bond B were issued under the approval of China Securities Regulatory Commission. During the year ended 31 December 2021, the Group redeemed the debentures C, D, H, I, J, K, L, M, N and O for RMB10,800,000,000 together with interest accrued up to 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 2021, the Group redeemed the private placement enterprises bonds B together with interest accrued up to 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 2021, the Group redeemed the enterprise bonds A for RMB1,149,960,000 (2020: nil) together with interest accrued up to 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). During the year ended 31 December 2021, the Group redeemed the enterprise bonds B for RMB1,056,362,000 (2020: nil) together with interest accrued up to that date.

According to the terms and conditions of enterprise bonds C, the interest rate of the enterprise bonds is 6.26% 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).

Enterprise bonds D and E are different categories of the same tranche. The interest rate of the enterprise bonds D is 7.30% 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 2021, the Group redeemed the enterprises bonds D and E for RMB1,064,213,000 and RMB521,956,000 (2020: RMB935,737,000 and RMB478,044,000) together with interest accrued up to that date, respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

According to the terms and conditions of enterprise bonds F, the interest rate of the enterprise bonds is 7.00% 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. During the year ended 31 December 2021, the Group redeemed the enterprises bonds F for RMB953,695,000 (2020: RMB846,305,000) together with interest accrued up the that date.

According to the terms and conditions of enterprise bonds G, the interest rate of the enterprise bonds is 6.70% 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 2021, the Group redeemed the enterprises bonds G for RMB1,198,240,000 (2020: nil) 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% 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. During the year ended 31 December 2021, the Group redeemed the enterprises bonds H and I for RMB3,500,000,000 and RMB500,000,000 (2020: nil) together with interest accrued up the that date, respectively.

According to the terms and conditions of enterprise bonds J, the interest rate of the enterprise bonds is 6.30% 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. During the year ended 31 December 2021, the Group redeemed the enterprises bonds G for RMB2,000,000,000 (2020: nil) together with interest accrued up the that date.

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. During the year ended 31 December 2021, the Group redeemed the enterprises bonds K for RMB2,278,955,000 (2020: nil) together with interest accrued up the that date.

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.

According to the terms and conditions of enterprise bonds M the interest rate of the enterprise bonds is 4.90% per annum for the 1 year, up to 11 June 2022. At the end of the first year, on 11 June 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. MEDIUM-TERM DEBENTURES AND BONDS (Continued)

According to the terms and conditions of enterprise bonds N the interest rate of the enterprise bonds is 5.60% per annum for the two years, up to 11 June 2023. At the end of the third year, on 11 June 2023, 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 O the interest rate of the enterprise bonds is 4.16% per annum for the two years, up to 20 August 2023. At the end of the third year, on 20 August 2023, the bonds holders have a right to redeem all or part of the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest and the Group has a right to adjust the interest rate of the enterprise bonds.

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

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

	2021 RMB'000	2020 RMB'000
Within one year	3,598,649	22,774,698
In the second to fifth year	9,544,944	13,345,378
	<b>13,143,593</b>	36,120,076

## 37. GUARANTEED NOTES

	2021 RMB'000	2020 RMB'000
Amounts shown under current liabilities	1,908,945	–
Amounts shown under non-current liabilities	4,423,886	3,242,270
	<b>6,332,831</b>	3,242,270

On 22 July 2019, the Company issued 7.125% guaranteed notes with the aggregate principal amount of US\$300,000,000 (equivalent to approximately RMB2,060,310,000) (the "2022 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2022 Guaranteed Notes will be matured on 22 July 2022. The 2022 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2022 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2022 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 37. GUARANTEED NOTES (Continued)

Period	Redemption price
Prior to 22 July 2022	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 22 July 2022	107.125% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

- (i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2022 Guaranteed Notes on 22 July 2022, plus all required remaining scheduled interest payments due on the 2022 Guaranteed Notes through 22 July 2022 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.
- (ii) At any time prior to 22 July 2022, the Company may at its option redeem the 2022 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.
- (iii) At any time prior to 22 July 2022, the Company may redeem up to 35% of the 2022 Guaranteed Notes, at a redemption price of 107.125% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2022 Guaranteed Notes on date of issuance was net of issue expenses of US\$4,000,000 (equivalent to approximately RMB27,471,000) and the effective interest rate of the 2022 Guaranteed Notes is 7.63% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition.

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

According to the terms and conditions of the 2023 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2023 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 2 May 2023	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 2 May 2023	107.375% of the principal amount, plus accrued and unpaid interest (note iii)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 37. GUARANTEED NOTES (Continued)

Notes:

- (i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2023 Guaranteed Notes on 2 May 2023, plus all required remaining scheduled interest payments due on the 2023 Guaranteed Notes through 2 May 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.
- (ii) At any time prior to 2 May 2023, the Company may at its option redeem the 2023 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.
- (iii) At any time prior to 2 May 2023, the Company may redeem up to 35% of the 2023 Guaranteed Notes, at a redemption price of 107.375% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2023 Guaranteed Notes on date of issuance was net of issue expenses of US\$2,700,000 (equivalent to approximately RMB19,097,000) and the effective interest rate of the 2023 Guaranteed Notes is 7.81% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition.

On 1 June 2021, the Company issued 6.25% guaranteed notes with the aggregate principal amount of US\$500,000,000 (equivalent to approximately RMB3,230,050,000) (the "2024 Guaranteed Notes") which were guaranteed by certain subsidiaries of the Group. The 2024 Guaranteed Notes will be matured on 8 June 2024. The 2024 Guaranteed Notes are listed on the Singapore Exchange Securities Trading Limited.

According to the terms and conditions of the 2024 Guarantee Notes, at any time or from time to time prior to the maturity date, the 2024 Guaranteed Notes may/will be redeemed by the Company at a redemption price set forth below.

Period	Redemption price
Prior to 8 June 2024	100% of the principal amount, plus the applicable premium as of, plus accrued and unpaid interest, if any, to (but not including) the redemption date (notes i & ii)
Prior to 8 June 2024	106.25% of the principal amount, plus accrued and unpaid interest (note iii)

Notes:

- (i) Applicable premium means with respect to a note at any redemption date, the greater of (i) 100% of the principal amount and (ii) the excess of (A) the present value at such redemption date of the principal amount of the 2024 Guaranteed Notes on 8 June 2024, plus all required remaining scheduled interest payments due on the 2024 Guaranteed Notes through 8 June 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the adjusted treasury rate as disclosed in the offering circular plus 100 basis points, over (B) the principal amount on redemption date.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 37. GUARANTEED NOTES (Continued)

Notes: (Continued)

- (ii) At any time prior to 8 June 2024, the Company may at its option redeem the 2024 Guaranteed Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount plus the applicable premium as of, plus accrued and unpaid interest, if any, to the redemption date.
- (iii) At any time prior to 8 June 2024, the Company may redeem up to 35% of the 2024 Guaranteed Notes, at a redemption price of 106.25% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date in each case, using the net cash proceeds from sales of certain equity offerings.

The carrying amount of the 2024 Guaranteed Notes on date of issuance was net of issue expenses of US\$4,279,000 (equivalent to approximately RMB27,203,000) and the effective interest rate of the 2024 Guaranteed Notes is 6.52% per annum.

The estimated fair value of the early redemption right was insignificant at initial recognition.

## 38. CONVERTIBLE BONDS

On 28 November 2017, the Company issued convertible bonds ("2017 CBs") bearing interest at 5.0% per annum, which were due on 28 November 2022 with an aggregate principal amount of US\$320,000,000. The 2017 CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK\$8.16 per share with fixed exchange rate of HK\$7.8212 equal to US\$1.00 at any time on or after 8 January 2018 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 28 November 2020, redeem the outstanding 2017 CBs in whole or in part at 106% of the principal amount and accrued interest to the respective dates fixed for redemption. At the issue date, the 2017 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2017 CBs is 21.817% per annum.

On 25 January 2021, the Company issued a new convertible bonds ("2021 CBs") bearing interest at 5.25% per annum, which were due on 25 January 2026 with an aggregate principal amount of US\$300,000,000. The 2021 CBs were denominated in US\$ and entitle the holders to convert them into ordinary shares of the Company at a conversion price of HK\$8.91 per share with fixed exchange rate of HK\$7.7530 equal to US\$1.00 at any time on or after 7 March 2021 and thereafter up to the close of business on the tenth day prior to the maturity date or if such bonds shall have been called for redemption by the holders before maturity date, then up to and including the close of business on a date no later than 10 days prior to the date fixed for redemption thereof. Unless previously redeemed, converted, purchased and cancelled, all convertible bonds outstanding on maturity date shall be repaid by the Company at its principal amount outstanding on maturity date plus accrued interest. The Company may, at the option of the holders, on giving not more than 60 days and not less than 30 days prior to the put option date, on 25 January 2023, redeem the outstanding 2021 CBs in whole or in part at 100% of the principal amount and accrued interest to the respective date fixed for redemption. At the issue date, the 2021 CBs were bifurcated into liability and derivative components. The effective interest rate of the liability component of 2021 CBs is 9.872% per annum.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 38. CONVERTIBLE BONDS (Continued)

The movements of the liability and derivatives components of the 2017 CBs and 2021 CBs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of 2017 CBs RMB'000	Derivatives component of 2017 CBs RMB'000	Liability component of 2021 CBs RMB'000	Derivatives component of 2021 CBs RMB'000	Total RMB'000
As at 1 January 2020	1,150,555	279,937	–	–	1,430,492
Changes in fair values	–	288,794	–	–	288,794
Effective interest expenses	229,958	–	–	–	229,958
Interest paid	(86,733)	–	–	–	(86,733)
Exchange translation	(77,841)	(18,620)	–	–	(96,461)
As at 31 December 2020	<b>1,215,939</b>	<b>550,111</b>	<b>–</b>	<b>–</b>	<b>1,766,050</b>
At issuance date	–	–	1,630,729	301,887	1,932,616
Transaction costs	–	–	(28,525)	–	(28,525)
Changes in fair values	–	174,512	–	(57,162)	117,350
Effective interest expenses	249,274	–	144,867	–	394,141
Interest paid	(80,712)	–	(98,929)	–	(179,641)
Exchange translation	(25,890)	(11,537)	(14,395)	(3,455)	(55,277)
As at 31 December 2021	<b>1,358,611</b>	<b>713,086</b>	<b>1,633,747</b>	<b>241,270</b>	<b>3,946,714</b>

No redemption, purchase or cancellation by the Company has been made in respect of the 2017 CBs and 2021 CBs during the years ended 31 December 2021 and 2020.

On 15 June 2020, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK\$7.21 to HK\$6.51 per share and on 16 November 2020, as a result of the Company's declaration of dividend, the conversion price of the CBs was adjusted from HK\$6.51 to HK\$6.31 per share and on 1 December 2020, as a result of the Company's share placing, the conversion price of the CBs was adjusted from HK\$6.31 to HK\$6.29 per share. Save for this alteration, all other terms and conditions of the outstanding CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 11 June 2021, as a result of the Company's declaration of dividend, the conversion price of the 2017 CBs was adjusted from HK\$6.29 to HK\$6.04 per share and the 2021 CBs was adjusted from HK\$8.91 to HK\$8.47 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

On 25 November 2021, as a result of the Company declaration of the interim dividends, the conversion price of the 2017 CBs was adjusted from HK\$6.04 per share to HK\$5.79 per share and the 2021 CBs was adjusted from HK\$8.47 to HK\$8.12 per share. Save for this alteration, all other terms and conditions of the outstanding 2017 CBs and 2021 CBs remained unchanged. The relevant ordinary resolution was duly passed at the special general meeting.

# Notes to the Consolidated Financial Statements

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## 38. CONVERTIBLE BONDS (Continued)

As at 31 December 2021, the principal amount of the 2017 CBs that remained outstanding amounted to US\$246,400,000 (2020: US\$246,400,000) of which a maximum of 332,840,013 (2020: 306,382,143) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2017 CBs and the principal amount of the 2021 CBs that remained outstanding amounted to US\$300,000,000 (2020: nil) of which a maximum of 286,440,886 (2020: nil) shares may fall to be issued upon their conversions, subject to adjustments provided in the terms of the 2021 CBs. Details of the terms of the CBs are set out in announcements of the Company dated 15 August 2017, 2 November 2017, 28 November 2017, 7 February 2018 and 13 July 2018, 17 June 2019, 15 June 2020, 16 November 2020, 1 December 2020, 11 June 2021 and 25 November 2021.

At 31 December 2021 and 2020, the fair values of the derivatives component was valued by Asia-Pacific Consulting and Appraisal Limited (2020: 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 option pricing model. The changes in fair value of the derivatives component of convertible bonds were recognised in the consolidated profit or loss. The inputs into the model were as follows:

	2017 CBs		2021 CBs	
	At 31 December 2021	At 31 December 2020	At 31 December 2021	At issuance date
Share price	HK\$8.23	HK\$7.10	HK\$8.23	HK\$7.32
Conversion price	HK\$5.79	HK\$6.29	HK\$8.12	HK\$8.91
Expected volatility	59.43%	40.49%	47.53%	45.08%
Expected life	0.91 years	1.91 years	4.07 years	5.00 years
Risk free rate	0.36%	0.12%	1.13%	0.42%
Expected dividend yield	4.16%	2.09%	4.16%	2.61%

## 39. 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:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	2,616,950	2,886,026
Deferred tax liabilities	(813,998)	(900,344)
	<b>1,802,952</b>	<b>1,985,682</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 39. DEFERRED TAXATION (Continued)

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

	Decelerated tax depreciation RMB'000	Tax losses RMB'000	Income tax facility RMB'000	Undistributed profits of PRC subsidiaries RMB'000	Unrealised profit on intra-group sales RMB'000	Deferred income RMB'000	Provisions RMB'000	Fair value increase on non-current assets arising from business combination RMB'000	Estimated liabilities for employee benefits RMB'000	Total RMB'000
At 1 January 2020	1,192,626	44,049	66,656	(403,299)	605,175	136,656	33,392	(318,246)	5,900	1,362,909
(Charged) credited to profit or loss	(787,648)	616,584	(39,240)	(224,666)	1,051,337	(15,952)	(24,596)	45,867	1,087	622,773
At 31 December 2020 and 1 January 2021	<b>404,978</b>	<b>660,633</b>	<b>27,416</b>	<b>(627,965)</b>	<b>1,656,512</b>	<b>120,704</b>	<b>8,796</b>	<b>(272,379)</b>	<b>6,987</b>	<b>1,985,682</b>
Acquired on step acquisition from associate to subsidiary	-	-	-	-	-	-	-	(18,409)	-	(18,409)
(Charged) credited to profit or loss	(221,334)	111,228	(27,302)	38,248	(134,097)	(10,148)	10,966	66,507	1,611	(164,321)
At 31 December 2021	<b>183,644</b>	<b>771,861</b>	<b>114</b>	<b>(589,717)</b>	<b>1,522,415</b>	<b>110,556</b>	<b>19,762</b>	<b>(224,281)</b>	<b>8,598</b>	<b>1,802,952</b>

At the end of the reporting period, the Group has unused tax losses of approximately RMB4,829,988,000 (2020: RMB3,409,770,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB3,087,444,000 (2020: RMB2,642,532,000) of such losses. No deferred tax asset has been recognised in respect of the remaining losses approximately RMB1,742,544,000 (2020: RMB767,238,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB1,396,234,000 (2020: RMB760,818,000) that will expire within next five years. The remaining unrecognised tax losses of approximately RMB346,310,000 (2020: RMB6,420,000) may be carried forward indefinitely.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB66,493,194,000 (2020: RMB49,200,234,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 40. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants		
– Current liabilities	26,514	17,855
– Non-current liabilities	835,379	581,828
	<b>861,893</b>	<b>599,683</b>

# Notes to the Consolidated Financial Statements

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## 40. DEFERRED INCOME (Continued)

As at 31 December 2021, the Group received government subsidies of approximately RMB302,800,000 (2020: RMB135,317,000) while RMB300,000,000 (2020: nil) was obtained through step acquisition from associate to subsidiary 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 year of approximately RMB40,590,000 (2020: RMB107,050,000). As at 31 December 2021, balances of approximately RMB861,893,000 (2020: RMB599,683,000) remain to be amortised.

## 41. SHARE CAPITAL

	Number of shares		Share Capital	
	2021	2020	2021 US\$	2020 US\$
Authorised:				
Ordinary shares of US\$0.01 each	20,000,000,000	10,000,000,000	200,000,000	100,000,000

	Number of shares		Share Capital	
	2021	2020	2021 US\$	2020 US\$
Issued and fully paid:				
Ordinary shares of US\$0.01 each	9,121,352,349	8,878,352,349	91,213,523	88,783,523

	Number of shares	Share Capital RMB'000
<b>Issued and fully paid:</b>		
At 1 January 2020	8,570,852,349	559,090
Issue of shares upon share subscription (note i)	307,500,000	20,228
At 31 December 2020 and 1 January 2021	<b>8,878,352,349</b>	<b>579,318</b>
Issue of shares upon share subscription (note ii)	<b>243,000,000</b>	<b>15,821</b>
At 31 December 2021	<b>9,121,352,349</b>	<b>595,139</b>

Notes:

- (i) On 2 December 2020, 307,500,000 ordinary shares of US\$0.01 each were issued and allotted at a price of HK\$6.3 per share, raising a total proceeds of approximately RMB1,644,087,000, net of share issue expenses of approximately RMB26,433,000.
- (ii) On 18 March 2021, 243,000,000 ordinary shares of US\$0.01 each were issued and allotted at a price of HK\$9.72 per share, raising a total proceeds of approximately RMB1,971,811,000, net of share issue expenses of approximately RMB31,701,000.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 41. SHARE CAPITAL (Continued)

The Company does not have any share option scheme.

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

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year (2020: nil).

## 42. RESERVES

### (a) Capital reserve

Capital reserve represents (i) the effect of the group reorganisation completed in March 2010; (ii) deemed capital contribution from its equity holders; (iii) amount of consideration paid by Shandong Hongqiao New Material Co., Ltd ("Shandong Hongqiao") in excess of the net book value of Chongqing Weiqiao Financial Factoring Co., Ltd. acquired from Shandong Weiqiao Chuangye Group Company Limited ("Weiqiao Chuangye") 山東魏橋創業集團有限公司 in 2018; (iv) difference between the carrying amount of non-controlling interests acquired and the consideration paid for acquisition of addition interest in subsidiaries; (v) share of capital reserve of an associate and subsidiaries from Shandong Innovation Carbon New Material Co., Ltd. \* ("Innovation Carbon New Material") 山東創新炭材料有限公司 and 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 and Shandong Hongqiao respectively; and (vi) the difference between the fair value of capital contribution received from the non-controlling interests and the proportionate of the carrying amount of the net assets of the respective subsidiary attributable to owners of the Company being deemed disposed of.

### (b) Statutory surplus reserve

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

### (c) Translation reserve

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

### (d) Investment revaluation reserve

Investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments as at FVTOCI.

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 43. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which comprising the bank borrowings, short-term debentures and notes, medium-term debentures and bonds, guaranteed notes and convertible bonds as disclosed in notes 34, 35, 36, 37 and 38, and net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital as disclosed in note 41, share premium and reserves in the consolidated statement of financial position.

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

## 44. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2021 RMB'000	2020 RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost (including cash and cash equivalents)	75,427,981	73,879,173
Financial asset at FVTPL – Other financial asset	99	–
Financial assets at FVTOCI – Equity instruments at FVTOCI	1,058,906	633,652
<b>Financial liabilities</b>		
Financial liabilities at FVTPL – Derivatives component of convertible bonds – Other financial liabilities	954,356 4,497	550,111 4,942
Financial liabilities at amortised cost	87,160,561	96,950,826

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies

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

### (c) Market risk

#### (i) Currency risk

A subsidiary of the Company has foreign currency sales, which expose the Group to foreign currency risk. Approximately 1.93% (2020: 2.36%) of the Group's sales is denominated in currencies other than the functional currency of the group entity making the sale. In addition, the Company has intra-group balance with a subsidiary denominated in foreign currency which also expose the Group to foreign currency risk.

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

	Exposure to foreign currencies					
	2021			2020		
	USD RMB'000	HK\$ RMB'000	IDR RMB'000	USD RMB'000	HK\$ RMB'000	IDR RMB'000
Trade receivables	168,243	-	-	63,702	-	-
Other receivables	228,197	-	-	199,780	-	-
Cash and cash equivalents	2,254,575	57,088	94,969	1,031,307	163,430	68,691
Other financial asset	99	-	-	-	-	-
Trade payables	132,353	-	-	68,548	-	-
Other payables and accruals	1,616,409	-	-	1,542,730	-	-
Bank borrowings	7,828,707	-	-	7,747,028	-	-
Other financial liabilities	4,497	-	-	4,942	-	-
Liability component of convertible bonds	2,992,358	-	-	1,215,939	-	-
Derivatives component of convertible bonds	954,356	-	-	550,111	-	-
Guaranteed notes	6,332,831	-	-	3,242,270	-	-

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (c) Market risk (Continued)

#### (i) Currency risk (Continued)

##### *Sensitivity analysis*

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

The following table details the Group's sensitivity to a 1% (2020: 5%) increase and decrease in RMB against the relevant foreign currencies 1% (2020: 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. As a result of the volatile financial market in 2021, the management adjusted the sensitivity rate from 5% to 1% for the purpose of assessing foreign currency risk. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of reporting period for a 1% (2020: 5%) change in foreign currency rate.

A positive number below indicates an increase in post-tax profit where RMB strengthen 1% (2020: 5%) against the relevant currency. For a 5% (2020: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit and the amounts below would be negative.

	2021 RMB'000	2020 RMB'000
Effect on post-tax profit:		
US\$ (note (i))	129,810	490,098
HK\$ (note (ii))	(433)	(6,129)
IDR (note (iii))	(741)	(2,576)

Notes:

- (i) This is mainly attributable to the exposure outstanding on US\$ of cash and cash equivalents, trade receivables, other receivables, trade payables, other payables and accruals, bank borrowings, convertible bonds and guaranteed notes at year end.
- (ii) This is mainly attributable to the exposure outstanding on HK\$ of cash and cash equivalents at year end.
- (iii) This is mainly attributable to the exposure outstanding on IDR of cash and cash equivalents at year end.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (c) Market risk (Continued)

#### (ii) Interest rate risk

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

The cash flow interest rate risk of the Group relates primarily to the restricted bank deposits, bank balances, floating interest rate bank borrowings and pay fixed and receive floating interest rate swaps, and mainly concentrated on the fluctuation of interest rate quoted from the 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. A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of each reporting period. For floating interest rate bank borrowings, restricted bank deposits and bank balances, the analysis is prepared assuming the amount of liabilities and assets outstanding at the end of each reporting period were outstanding for the whole year. A 25 basis points (2020: 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 (2020: 25 basis points) higher/lower and all other variables were held constant:

	2021 RMB'000	2020 RMB'000
Increase (decrease) in profit for the year:		
As a result of increase in interest rate	(63,269)	(34,211)
As a result of decrease in interest rate	63,269	34,211

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (c) Market risk (Continued)

#### (iii) Other price risk

The Group is exposed to equity price risk through its investment in financial assets at FVTOCI. The Group's equity price risk is mainly concentrated on equity instruments operating in bank industry sector quoted in the Stock Exchange. For unquoted equity security designated as FVTOCI, the investee is operating in diversified metals and minerals industry sector. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. Sensitivity analysis for unquoted equity security with fair value measurement categorised within level 3 were disclosed in note 44.

If the price of the respective equity instrument had been 10% (2020: 10%) higher/lower, other comprehensive income for the year ended 31 December 2021 would increase/decrease by approximately RMB90,427,000 (2020: RMB63,365,000) as a result of the changes in fair value of financial assets at FVTOCI.

### (d) Credit risk

As at 31 December 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from loan to an associate, trade receivables, bills receivables, other receivables, restricted bank deposits and bank balances. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (d) Credit risk (Continued)

Management considered loan to an associate to be low credit risk and thus the impairment provision recognised during the year was limited to 12-month ECL.

The credit risk on liquid funds and financial assets at amortised cost are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

#### *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:

Category	Description	Basis for recognising ECL	
		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

# Notes to the Consolidated Financial Statements

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## 44. FINANCIAL INSTRUMENTS (Continued)

### (d) Credit risk (Continued)

#### *The Group's exposure to 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 2021*

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	7,292,695	(7,942)	7,284,753
Bills receivables (note 2)	Performing	12-month ECL	11,918,515	–	11,918,515
Other receivables	Performing	12-month ECL	551,522	–	551,522
Other receivables	Doubtful	Lifetime ECL – not credit-impaired	323,934	(899)	323,035
Other receivables	Default	Lifetime ECL – credit-impaired	26,039	(26,039)	–
Financial asset at amortised cost	Performing	12-month ECL	2,499,000	–	2,499,000
Loan to an associate	Performing	12-month ECL	2,000,000	–	2,000,000
				(34,880)	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (d) Credit risk (Continued)

For the year ended 31 December 2020

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
Trade receivables	(note 1)	Lifetime ECL (simplified approach)	10,342,754	(7,186)	10,335,568
Bills receivables (note 2)	Performing	12-month ECL	9,157,692	–	9,157,692
Other receivables	Performing	12-month ECL	2,441,018	–	2,441,018
Other receivables	Doubtful	Lifetime ECL – not credit-impaired	466,918	(28,482)	438,436
Other receivables	Default	Lifetime ECL – credit-impaired	29,515	(29,515)	–
Financial asset at amortised cost	Performing	12-month ECL	2,499,000	–	2,499,000
Loan to an associate	Performing	12-month ECL	2,000,000	–	2,000,000
				<u>(65,183)</u>	

Notes:

- For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by past due status. The identified impairment loss is immaterial.
- 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (d) Credit risk (Continued)

The Group has concentration of credit risk as 10% (2020: 14%) and 43% (2020: 47%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 98% (2020: 98%) of the total receivables as at 31 December 2021.

The Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from bank represented 6% (2020: 17%) of the total bills receivables as at 31 December 2021. In addition, the Group's bills receivables from the top five major banks represented 22% (2020: 32%) of the total bills receivables as at 31 December 2021.

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

### (e) Liquidity risk management

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. 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
<b>At 31 December 2021</b>							
<b>Non-derivative financial liabilities</b>							
Fixed-rate bank borrowings	6,468,329	13,923,253	1,741,172	1,115,389	-	23,248,143	22,249,949
Floating-rate bank borrowings	490,068	964,100	8,239,976	3,654,615	3,803,727	17,152,486	14,131,802
Medium-term debentures and bonds	3,241,645	820,857	6,396,983	3,567,334	-	14,026,819	13,143,593
Short-term debentures and notes	1,500,000	-	-	-	-	1,500,000	1,500,000
Trade and bills payables	18,735,216	-	-	-	-	18,735,216	18,735,216
Other payables (exclude contract liabilities and other tax payables)	8,013,081	-	-	-	-	8,013,081	8,013,081
Lease liabilities	6,250	6,260	9,507	12,397	45,830	80,244	61,731
Guaranteed notes	232,812	2,261,023	1,645,750	3,579,555	-	7,719,140	6,332,831
Convertible bonds	96,995	1,807,570	109,749	2,318,077	-	4,332,391	2,992,358
	<b>38,784,396</b>	<b>19,783,063</b>	<b>18,143,137</b>	<b>14,247,367</b>	<b>3,849,557</b>	<b>94,807,520</b>	<b>87,160,561</b>

	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
<b>At 31 December 2020</b>							
<b>Non-derivative financial liabilities</b>							
Fixed-rate bank borrowings	2,550,920	5,135,063	3,961	12,104	-	7,702,048	7,478,070
Floating-rate bank borrowings	4,133,110	12,321,347	5,918,645	4,600,340	2,679,024	29,652,466	26,782,828
Medium-term debentures and bonds	17,869,391	5,965,935	4,059,560	10,196,164	-	38,091,050	36,120,076
Trade and bills payables	13,377,069	-	-	-	-	13,377,069	13,377,069
Other payables (exclude contract liabilities and other tax payables)	8,650,885	-	-	-	-	8,650,885	8,650,885
Lease liabilities	16,040	11,839	14,273	14,542	48,679	105,373	83,689
Guaranteed notes	124,829	126,898	2,276,079	1,427,994	-	3,955,800	3,242,270
Convertible bonds	42,571	43,277	1,794,816	-	-	1,880,664	1,215,939
	<b>46,764,815</b>	<b>23,604,359</b>	<b>14,067,334</b>	<b>16,251,144</b>	<b>2,727,703</b>	<b>103,415,355</b>	<b>96,950,826</b>

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (f) Interest rate benchmark reform

As listed in note 34, several of the Group's LIBOR bank borrowings will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

#### **LIBOR**

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

### (i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

#### Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

#### Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (f) Interest rate benchmark reform (Continued)

#### *LIBOR (Continued)*

##### (i) *Risks arising from the interest rate benchmark reform (Continued)*

###### Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

##### (ii) *Progress towards implementation of alternative benchmark interest rates*

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The Group is planning to transition the its LIBORs contracts through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBORs to alternative reference rate at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2021. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts RMB'000	Hedge accounting	Transition progress for financial instruments
<b>Non-derivative financial liabilities</b>				
– Bank borrowings linked to GBP LIBOR	2023/2029	5,596,617	N/A	Expected to transit Secured Overnight Financing Rate in 2023
<b>Derivatives</b>				
– Interest rate swaps contracts	2023	357,761	GBP LIBOR bank loan of the same maturity and nominal as the swap	To transit derivatives via International Swaps and Derivatives Association protocol
– Receive 1-months GBP LIBOR, pay USD fixed interest rate swaps				



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments (Continued)

#### *Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis*

The valuation techniques and inputs used in the fair value measurements of each financial instrument on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs
		31.12.2021 RMB'000	31.12.2020 RMB'000	
Financial asset at FVTOCI – listed equity instrument	Level 1	904,278	633,652	Quoted bid prices in an active market
Financial asset at FVTOCI – unlisted equity instrument	Level 3	154,628		– Market approach – Based on P/E multiples of listed entities in similar industry with consideration of marketability discount (Key inputs: the higher discount rate, the lower the fair value)
Capped forward contract	Level 2	4,497	1,848	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	99	3,094	Discounted cash flows – Based on forward interest rates (from observable forward interest rates at the end of the reporting period and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties)
Redemption option derivative of convertible bonds	Level 3	206,607	40,496	Binomial option pricing model: Key observable inputs: risk free rate ranged from 0.36% to 1.31% (2020: 0.12%) and effective interest rate ranged from 6.47% to 7.74% (2020: 6.13%) Key unobservable inputs: volatility ranged from 47.53% to 59.43% (2020: 40.49%)
Conversion option derivative of convertible bonds	Level 3	747,749	509,615	Binomial option pricing model: Key observable inputs: risk free rate ranged from 0.36% to 1.31% (2020: 0.12%) and effective interest rate ranged from 6.47% to 7.74% (2020: 6.13%) Key unobservable inputs: volatility ranged from 47.53% to 59.43% (2020: 40.49%)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments (Continued)

#### *Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)*

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the unobservable inputs of volatility to the valuation model were 5% higher/lower while all the other variables were held constant, the carrying amount of the redemption option derivative of convertible bonds and conversion option derivative of convertible bonds would increase/decrease by RMB21,945,000 and RMB8,438,000 (2020: 8,287,000 and 104,280,000), respectively. The higher the volatility, the higher will be the fair value.

Reconciliation of Level 3 fair value measurements of unlisted equity instrument on recurring basis:

	Unlisted equity instrument RMB'000
At 1 January 2020, 31 December 2020 and 1 January 2021	–
Purchases	150,000
Total gains in other comprehensive income	4,628
At 31 December 2021	154,628

For the year ended 31 December 2021, included in the above total gains is an amount of RMB4,628,000 (2020: nil) gain relating to unlisted equity investment designated at FVTOCI held at the end of the year.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments (Continued)

*Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (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, medium-term debentures and bonds – due within one year and short-term debentures and notes approximate to their carrying amounts largely due to the short term maturities of these instruments. Except as detailed in the following table, the directors of the company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	31 December 2021		31 December 2020	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
<b>Financial liabilities</b>				
<b>Listed</b>				
Medium-term debentures and notes – due after one year	–	–	9,755,504	9,720,304
Guaranteed notes	6,332,831	6,378,885	3,242,270	3,115,001
<b>Unlisted</b>				
Medium-term debentures and notes – due after one year	9,544,944	9,328,315	3,589,874	3,425,271
Bank borrowings – due after one year	15,370,878	11,474,907	11,483,498	9,152,703
Liability component of convertible bonds	2,992,358	3,378,018	1,215,939	1,575,167

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 44. FINANCIAL INSTRUMENTS (Continued)

### (g) Fair value measurements of financial instruments (Continued)

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

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

	As at 31 December 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial liabilities at amortised cost:</b>				
Medium-term debentures and notes				
– due after one year – unlisted	–	9,328,315	–	9,328,315
Bank borrowings-due after one year	–	11,474,907	–	11,474,907
Liability component of convertible bonds	–	3,378,018	–	3,378,018
Guaranteed notes	6,378,885	–	–	6,378,885
	<b>6,378,885</b>	<b>24,181,240</b>	<b>–</b>	<b>30,560,125</b>

	As at 31 December 2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial liabilities at amortised cost:</b>				
Medium-term debentures and notes				
– due after one year – listed	9,720,304	–	–	9,720,304
Medium-term debentures and notes				
– due after one year – unlisted	–	3,425,271	–	3,425,271
Bank borrowings-due after one year	–	9,152,703	–	9,152,703
Liability component of convertible bonds	–	1,575,167	–	1,575,167
Guaranteed notes	3,115,001	–	–	3,115,001
	<b>12,835,305</b>	<b>14,153,141</b>	<b>–</b>	<b>26,988,446</b>

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 debentures and notes due after one year and guaranteed notes are 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 debentures and notes, 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY

In October 2021, the Group acquired 55% of the equity interest in Honghua Zhida, an associate of the Company, from 北京宏華智達科技投資管理有限公司, an independent third party, at a consideration of RMB422,000,000. Upon additional acquisition of equity interest in Honghua Zhida, the Group's equity interest in Honghua Zhida was increased from 45% to 100% and Honghua Zhida become a subsidiary of the Company. The acquisition was completed on the same date. This acquisition was accounted for using the acquisition method. The amount of bargain purchase arising as a result of the acquisition was approximately RMB59,945,000. Honghua Zhida is engaged in the technology promotion and application service industry. Honghua Zhida was acquired so as to continue the expansion of the Group's aluminum products operations.

Acquisition-related costs amounting to approximately RMB580,000 was excluded from the consideration transferred and was recognised as an expense in the year ended 31 December 2021, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

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

	RMB'000
Property, plant and equipment	1,449,849
Interests in associates	513,183
Right-of-use assets	112,264
Prepayments and other receivables	844,194
Cash and cash equivalents	60,394
Trade payables	(96,848)
Other payables and accruals	(47,306)
Deferred tax liabilities	(18,409)
Deferred income	(300,000)
Total identifiable net assets at fair value	2,517,321
Non-controlling interests	(87,244)
Total identifiable net assets at fair value attributable to the Group	2,430,077

The fair value of other receivables amounted to approximately RMB537,827,000. The gross amount and recoverable amount of other receivables amounted to approximately RMB537,827,000. None of the receivables have been impaired and it is expected that the full amounts can be collected.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 45. STEP ACQUISITION FROM ASSOCIATE TO SUBSIDIARY (Continued)

### Gain on bargain purchase:

	RMB'000
Cash consideration transferred	422,000
Fair value of previously held equity interest	1,948,132
	<u>2,370,132</u>
Less: fair value of net assets of acquired	(2,430,077)
Gain on bargain purchase	<u>(59,945)</u>

Bargain purchase gain amounting to approximately RMB59,945,000 on acquisition of Honghua Zhida is recognised in profit or loss within "other income and gains" in the consolidated statement of profit or loss and other comprehensive income due to strong bargain power of the Group.

### Net cash outflow arising on acquisition:

	RMB'000
Cash consideration	422,000
Less: cash and cash equivalent acquired	(60,394)
Net cash outflow on acquisition	<u>361,606</u>

### Impact of acquisition on the result of the Group

Included in the profit for the year was approximately a loss of RMB5,506,000, attributable to the additional business generated by Honghua Zhida. Revenue for the year ended 31 December 2021 includes approximately RMB32,000 generated from Honghua Zhida.

Had the acquisition been completed in 1 January 2021, total revenue of the Group for the year ended 31 December 2021 would have been approximately RMB114,491,225,000 and profit for the year would have been approximately RMB16,882,437,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on in 1 January 2021, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Hongzhu Zhida been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of acquisition.

\* The English translation is for reference only.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 46. PARTIAL DISPOSAL OF A SUBSIDIARY RESULTING IN LOSS OF CONTROL

In November 2020, upon additional capital contribution being made by a non-controlling shareholder of Weiqiao Haiyi, the registered capital of Weiqiao Haiyi was increased from RMB10,000,000 to RMB20,000,000 and the Group's equity interest in Weiqiao Haiyi was diluted from 60% to 30%. The transaction was accounted for as partial disposal of a subsidiary resulting in loss of control. The retained interest in Weiqiao Haiyi was accounted for as an associate as the Group can exercise significant influence over Weiqiao Haiyi. The partial disposal was completed on 3 December 2020. The fair value of the 30% retained interests in Weiqiao Haiyi, at the date on which control was lost was regarded as the cost in initial recognition of the Group's interests in associates. The net assets of Weiqiao Haiyi at the date of disposal were as follows:

	RMB'000
<b>Analysis of assets and liabilities over which control was lost:</b>	
Property, plant and equipment	11,076
Right-of-use assets	10,392
Prepayments, deposits and other receivables	2,069
Cash and cash equivalents	261
Trade payables	(187)
Other payables	(19,954)
Net assets disposed of	<u>3,657</u>
<b>Gain on partial disposal of a subsidiary:</b>	
Fair values of 30% retained equity interest held by the Group-classified as interests in associates	6,000
Net assets disposed of	(3,657)
Non-controlling interests	(937)
Gain on partial disposal of a subsidiary	<u>1,406</u>
<b>Net cash outflow arising on disposal:</b>	
Cash and cash equivalents disposed of	<u>(261)</u>

\* The English translation is for reference only.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 47. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year ended 31 December 2021, the Group had the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

### Disposal of interest in subsidiaries without loss of control

- a) During the year ended 31 December 2021, upon additional capital contribution of RMB3,800,000,000 being made by certain independent investors to Shandong Hongqiao, the Group's equity interest in Shandong Hongqiao was diluted from 100% to 94.52%. The transaction was accounted for as partial disposal of a subsidiary without loss of control. This resulted in an increase in non-controlling interests of approximately RMB4,341,130,000 and a decrease in equity attributable to owners of the parent of approximately RMB541,130,000. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(4,341,130)
Consideration received from non-controlling interests	3,800,000
Difference recognised in capital reserve within equity	(541,130)

- b) During the year ended 31 December 2021, the Group disposed of 5% interest out of 100% interest in Shandong Honghe Lightweight Technology Co., Ltd\* 山東宏和輕量化科技有限公司 ("Honghe Lightweight"), at a consideration of RMB2,500,000. This resulted in an increase in non-controlling interests of approximately RMB2,500,000. A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(2,500)
Consideration received from non-controlling interests	2,500
Difference recognised in capital reserve within equity	-

\* The English translation is for reference only

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 48. PLEDGE OF ASSETS

At the end of each reporting period, certain of the Group's assets were pledged to secure banking facilities and borrowings granted to the Group. The aggregate carrying amount of the assets of the Group pledged at the end of each reporting period is as follows:

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Restricted bank deposits (note 30)	<b>1,623,874</b>	1,542,098
Property, plant and equipment (note 16)	<b>11,803,565</b>	12,203,099
Right-of-use assets (note 17)	<b>499,916</b>	293,636

## 49. COMMITMENTS

	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment – Contracted for but not provided	<b>1,618,260</b>	2,205,218

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 50. RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere of the notes to the consolidated financial statements, the Group had the following related parties transactions.

- (a) During the year, the directors of the Company are of the view that the following are related parties of the Group:

Name of party	Relationship
Weiqiao Chuangye	note 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
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
Binzhou City Beihai Weiqiao Railway Engineering Co., Ltd. ("Beihai Weiqiao Railway") 濱州北海魏橋鐵路工程有限公司 (note i)	Controlled by Weiqiao Chuangye
Zhanhua Weiqiao Port Logistics Co., Ltd. ("Zhanhua Weiqiao Port Logistics") 沾化魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
Wudi Weiqiao Port Logistics Co., Ltd. ("Wudi Weiqiao Port Logistics") 無棣魏橋港口物流有限公司 (note i)	Controlled by Weiqiao Chuangye
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
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
Weiqiao Haiyi	An associate of a wholly-owned subsidiary of the Company

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021



## 50. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

Notes:

- i. The English translation is for reference only.
- ii. In 2020, CTI Capital Management Limited and its related company, CNCB (Hong Kong) Investment Limited, currently holding 877,184,826 shares of the Company, representing 9.88% of the total issued shares of the Company, were both indirect subsidiaries of CITIC Group Corporation. On 2 December 2020, the Group issued 307,500,000 ordinary shares of US\$0.01, therefore the shareholding of CITIC Group Corporation was below 10% and no longer be the related party of the Group since the year ended 31 December 2020.
- 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 50. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

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

	Notes	2021 RMB'000	2020 RMB'000
Purchases of water			
Jinsha Water Supply	(a)	(21,633)	(24,037)
Weiqiao Chuangye	(b)	(40,595)	(36,399)
Industrial waste expenses			
Beihai Solid Waste	(b)	(162,185)	(183,227)
Purchases of bauxite			
GTS	(i)	(7,092,966)	(8,149,746)
PT. Cita Mineral Investindo, Tbk.	(a)	(229,692)	(246,420)
Purchase of electricity			
Binneng Energy	(i)	(12,204,938)	(9,580,417)
Purchases of anode carbon block			
Innovation Carbon New Material	(i)	(1,426,136)	(650,379)
Purchase of right-of-use assets			
Weiqiao Chuangye	(a)	(151,261)	–
Sales of steam			
Binzhou Industrial Park	(a)	12,020	10,354
Ming Hong Textile	(a)	3,119	3,611
Binzhou Investment	(a)	24,311	25,838
Zhanhua Weiqiao Port Logistics	(a)	334	–
Legal and professional fee			
Shandong Ruixin	(a)	(2,735)	(7,615)
Sales of scraps material			
Beihai Solid Waste	(a)	758	–
Beihai Weiqiao Railway	(a)	3	–
Zhanhua Weiqiao Port Logistic	(a)	76	–
Wudi Weiqiao Port Logistics	(a)	98	–
Weiqiao Haiyi	(a)	299	–
Lease payment			
Weiqiao Chuangye	(a), (c), (f), (g)	(12,590)	(6,353)
Harita Jayaraya	(e), (h)	(1,308)	(1,387)
PT. Antar Sarana Rekasa	(d)	(8,161)	(8,597)
Bank interest income			
China CITIC Bank	(a)	–	410
Interest income from an associate			
Binneng Energy	(i)	114,780	133,569
Interest expenses on bank borrowings			
CITIC Bank	(a)	–	(28,901)
China CITIC Bank	(a)	–	(301,473)
Purchases of collective investment trust			
CITIC Trust	(a)	–	(2,499,000)
Investment income			
CITIC Trust	(a)	–	89,663

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 50. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

Notes:

- (a) The related party transactions in respect of (a) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules, however, they are exempt from the disclosure requirements in Chapter 14A of the Listing Rules in accordance with the provisions such as Rule 14A.76 of the Listing Rules.
- (b) The related party transactions in respect of (b) above constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules and have complied with the disclosure requirements of Chapter 14A of the Listing Rules.
- (c) For the year ended 31 December 2018, the Group entered into a twenty-five-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB237,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is RMB41,722,000 (2020: RMB43,003,000).
- (d) For the year ended 31 December 2019, the Group entered into three leases ranging from 2 to 3 years in respect of vessels, crew boats and crane barge in Indonesia. The amount of rent payable by the Group under these leases are in aggregate approximately RMB752,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is nil (2020: RMB7,654,000).
- (e) For the year ended 31 December 2019, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB101,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is nil (2020: nil).
- (f) For the year ended 31 December 2020, the Group entered into a three-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB766,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is approximately RMB14,088,000 (2020: RMB22,550,000).
- (g) For the year ended 31 December 2021, the Group entered into a three-year lease in respect of certain properties from Weiqiao Chuangye. The amount of rent payable by the Group under the lease is approximately RMB626,000 per year. As at 31 December 2021, the carrying amount of such lease liabilities is approximately RMB1,234,000 (2020: nil).
- (h) For the year ended 31 December 2021, the Group entered into a two-year lease in respect of certain properties in Indonesia. The amount of rent payable by the Group under the lease is approximately RMB103,000 per month. As at 31 December 2021, the carrying amount of such lease liabilities is approximately RMB999,000 (2020: nil).
- (i) The related party transactions in respect of (h) above do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 50. RELATED PARTY TRANSACTIONS (Continued)

### (a) (Continued)

The following balances were outstanding at the end of the year:

	2021 RMB'000	2020 RMB'000
Loans to associate		
ABM	701,327	717,739
Binneng Energy	2,000,000	2,000,000
Trade payables		
GTS	(316,349)	(84,839)
Innovation Carbon New Material	(748,799)	(166,424)
Jinsha Water Supply	(3,105)	(2,599)
Weiqiao Chuangye	(29,633)	(8,974)
PT. Cita Mineral Investindo, Tbk.	(36,419)	(30,181)
Trade receivables		
Ming Hong Textile	84	119
Prepayment		
Binneng Energy	3,626,005	3,617,585

### (b) Compensation of key management personnel

	2021 RMB'000	2020 RMB'000
Short term employee benefit	7,433	4,133
Retirement benefits scheme contributions	115	20
	<b>7,548</b>	<b>4,153</b>

Further details of the directors' and chief executive's emoluments are included in note 12 to the consolidated financial statements.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 50. RELATED PARTY TRANSACTIONS (Continued)

### (c) Guarantees and security

At the end of the reporting period, details of amounts of bank borrowings of the Group guaranteed by a related party were as follows:

	2021 RMB'000	2020 RMB'000
Weiqiao Chuangye	960,000	1,299,000

## 51. RETIREMENT BENEFIT SCHEME

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

During the year ended 31 December 2021, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately RMB264,609,000 (2020: RMB140,341,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

During the year ended 31 December 2021, no utilisation of forfeited contributions were offset the contributions obligation.

## 52. LITIGATION

China Sixth Metallurgical Construction Co., Ltd. \* ("China Sixth Metallurgical") 中國有色金屬工業第六冶金建設有限公司, a subsidiary of China Aluminum International Engineering Corporation Limited \* 中鋁國際工程股份有限公司, 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 were accepted by the local courts in December 2019 and the Group negotiated with China Sixth Metallurgical for possible settlement. In January 2020, China Sixth Metallurgical cancelled the prosecutions against the Group and the Group paid approximately RMB60,000,000 to China Sixth Metallurgical as an out of court settlement during the year ended 31 December 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 January 2021 RMB'000	Financing cash flows RMB'000	Non-cash changes				Fair value change RMB'000	31 December 2021 RMB'000
			Additions RMB'000	Early termination RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000		
Bank borrowings	34,260,898	643,029	-	-	1,697,852	(220,028)	-	36,381,751
Lease liabilities	83,689	(22,679)	25,945	(27,491)	2,453	(186)	-	61,731
Liability component of CBs	1,215,939	1,422,563	-	-	394,141	(40,285)	-	2,992,358
Derivatives component of CBs	550,111	301,887	-	-	-	(14,992)	117,350	954,356
Medium-term debentures and notes	36,120,076	(24,142,654)	-	-	1,166,171	-	-	13,143,593
Short-term debentures and notes	-	1,485,872	-	-	14,128	-	-	1,500,000
Guaranteed notes	3,242,270	2,858,852	-	-	351,229	(119,520)	-	6,332,831
Interest payable	1,473,016	(862,040)	-	-	-	-	-	610,976
	76,945,999	(18,315,170)	25,945	(27,491)	3,625,974	(395,011)	117,350	61,977,596

	1 January 2020 RMB'000	Financing cash flows RMB'000	Non-cash changes				Fair value change RMB'000	31 December 2020 RMB'000
			Additions RMB'000	Finance costs incurred RMB'000	Foreign exchange movements RMB'000			
Bank borrowings	32,574,477	1,827,139	-	-	(140,718)	-	34,260,898	
Other borrowing	1,391,446	(1,399,600)	-	-	8,154	-	-	
Lease liabilities	90,733	(35,452)	25,980	3,633	(1,205)	-	83,689	
Liability component of CBs	1,150,555	-	-	143,225	(77,841)	-	1,215,939	
Derivatives component of CBs	279,937	-	-	-	(18,620)	288,794	550,111	
Medium-term debentures and notes	40,025,013	(3,760,086)	-	(144,851)	-	-	36,120,076	
Guaranteed notes	3,457,313	-	-	16,703	(231,746)	-	3,242,270	
Interest payable	1,662,187	(4,676,697)	-	4,487,526	-	-	1,473,016	
	80,631,661	(8,044,696)	25,980	4,506,236	(461,976)	288,794	76,945,999	

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 54. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
<b>Non-current assets</b>			
Plant and equipment		35	61
Right-of-use assets		5,349	8,997
Investment in subsidiaries		11,199,239	11,199,239
Other receivables		701,327	717,739
Amounts due from subsidiaries	(i)	11,477,729	10,739,771
Financial assets at fair value through other comprehensive income		904,278	633,652
		<b>24,287,957</b>	<b>23,299,459</b>
<b>Current assets</b>			
Trade receivables		45,033	–
Prepayment and other receivables		1,391	1,435
Amount due from immediate holding company	(ii)	27	27
Other financial asset		99	–
Income tax recoverable		–	82,496
Cash and cash equivalents		117,207	194,544
		<b>163,757</b>	<b>278,502</b>
<b>Current liabilities</b>			
Trade payables		41,060	–
Other payables		205,782	99,582
Lease liabilities		3,600	5,990
Bank borrowings – due within one year		1,076,024	1,562,364
Liability component of convertible bonds – due within one year		1,358,611	–
Guaranteed notes – due within one year		1,908,945	–
Derivative component of convertible bonds – due within one year		713,086	–
Other financial liabilities		4,497	4,942
		<b>5,311,605</b>	<b>1,672,878</b>
<b>Net current liabilities</b>		<b>(5,147,848)</b>	<b>(1,394,376)</b>
<b>Total assets less current liabilities</b>		<b>19,140,109</b>	<b>21,905,083</b>
<b>Non-current liabilities</b>			
Lease liabilities		1,973	2,835
Amount due to a subsidiary	(ii)	680,364	63,589
Bank borrowings – due after one year		2,154,612	1,174,482
Liability component of convertible bonds – due after one year		1,633,747	1,215,939
Guaranteed notes – due after one year		4,423,886	3,242,270
Derivative component of convertible bonds – due after one year		241,270	550,111
		<b>9,135,852</b>	<b>6,249,226</b>
<b>Net assets</b>		<b>10,004,257</b>	<b>15,655,857</b>
<b>Capital and reserves</b>			
Share capital		595,139	579,318
Reserves	(iii)	9,409,118	15,076,539
<b>Total equity</b>		<b>10,004,257</b>	<b>15,655,857</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Notes:

- (i) The amounts due from subsidiaries are unsecured and repayable after one year. Except for balances of approximately RMB4,534,764,000 (2020: RMB4,682,789,000) carrying interest at fixed rate ranged from 5% to 8% (2020: ranged from 5% to 8%) per annum, the remaining balances are interest-free. The fair value of interest-free portion is estimated at approximately RMB6,942,965,000 (2020: RMB6,056,982,000) by using the effective interest rate of 4.9% per annum.
- (ii) The amounts due from (to) immediate holding company / a subsidiary are unsecured, interest-free and repayable on demand.
- (iii) Movement in reserves

	Share premium RMB'000	Share reserve <sup>a</sup> RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	19,311,652	3,193,854	(4,405,976)	18,099,530
Loss and total comprehensive expense for the year	–	–	(859,420)	(859,420)
Dividend paid	–	–	(3,760,997)	(3,760,997)
Issue of shares (note 41)	1,597,426	–	–	1,597,426
At 31 December 2020 and 1 January 2021	<b>20,909,078</b>	<b>3,193,854</b>	<b>(9,026,393)</b>	<b>15,076,539</b>
Loss and total comprehensive expense for the year	–	–	(407,227)	(407,227)
Dividend paid	–	–	(7,184,483)	(7,184,483)
Issue of shares (note 41)	<b>1,924,289</b>	–	–	<b>1,924,289</b>
At 31 December 2021	<b>22,833,367</b>	<b>3,193,854</b>	<b>(16,618,103)</b>	<b>9,409,118</b>

1. Share reserve represented capitalisation of amount due to a related party in previous year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 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		2021	2020	
				2021	2020	2021	2020			
China Hongqiao Investment Limited	British Virgin Islands ("BVI")	Ordinary Shares	US\$200	100	100	-	-	100	100	Investment holding
Hongqiao Investment (Hong Kong) Limited ("Hongqiao Investment")	Hong Kong	Ordinary Shares	HK\$10,100	-	-	100	100	100	100	Investment holding
PT Well Harvest Winning Alumina Refinery	Jakarta, Indonesia	Ordinary Shares	IDR2,334,000,000,000	61	61	-	-	61	61	Manufacture and sale of alumina
Hongqiao (HK) International Trading Limited	Hong Kong	Ordinary Shares	HK\$10,000,000	-	-	100	100	100	100	Inactive
Shandong Hongqiao	PRC	Ordinary Shares	RMB11,759,333,009	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Zouping Hongli Thermal Power Co., Ltd. * 鄒平縣宏利熱電有限公司	PRC	Ordinary Shares	RMB1,817,065,373	-	-	94.52	100	94.52	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	PRC	Ordinary Shares	RMB1,500,000,000	-	-	94.52	100	94.52	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	PRC	Ordinary Shares	RMB700,000,000	-	-	94.52	100	94.52	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	PRC	Ordinary Shares	RMB13,000,000,000	-	-	94.52	100	94.52	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	PRC	Ordinary Shares	RMB8,200,000,000	-	-	94.52	100	94.52	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	PRC	Ordinary Shares	RMB459,293,189/ RMB500,000,000	-	-	94.52	100	94.52	100	Research and development, sale of bauxite, manufacture and sale of aluminum products

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 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		2021	2020	
				2021	2020	2021	2020			
Zouping Huicai New Material Technology Co., Ltd. * 鄒平縣匯才新材料科技有限公司	PRC	Ordinary Shares	RMB3,700,000,000	-	-	94.52	100	94.52	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huisheng New Material Technology Co., Ltd. * 鄒平縣匯盛新材料科技有限公司	PRC	Ordinary Shares	RMB5,900,000,000	-	-	94.52	100	94.52	100	Research and development, sale of bauxite, manufacture and sale of aluminum products
Zouping Huimao New Material Technology Co., Ltd. * 鄒平縣匯茂新材料科技有限公司	PRC	Ordinary Shares	RMB5,500,000,000	-	-	94.52	100	94.52	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	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Zhanhua Huihong New Material	PRC	Ordinary Shares	RMB3,000,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Yangxin New Material Co., Ltd. * 陽信縣匯宏新材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Binzhou Beihai New Material Co., Ltd. * 濱州北海匯宏新材料有限公司	PRC	Ordinary Shares	RMB3,500,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Binzhou Hongnuo New Material Co. Ltd. * 濱州市宏諾新材料有限公司	PRC	Ordinary Shares	RMB1,500,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Shandong Hongqiao Financial Leasing Co., Ltd. * 山東宏橋融資租賃有限公司	PRC	Ordinary Shares	US\$200,000,000	-	-	100	100	100	100	Financial leasing
Shandong Hongfan Industrial Co., Ltd. * 山東宏帆實業有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Details of the Company's principal subsidiaries as at 31 December 2021 and 2020 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		2021	2020	
				2021	2020	2021	2020			
Binzhou Hongzhan Aluminum Technology Co., Ltd. * 濱州宏展鋁業科技有限公司	PRC	Ordinary Shares	RMB200,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Zouping Hongfa Aluminum Technology Co., Ltd. * 鄒平宏發鋁業科技有限公司	PRC	Ordinary Shares	RMB700,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Shandong Hongbin International Business Co., PRC Ltd. * 山東宏濱國際商貿有限公司		Ordinary Shares	RMB300,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Binzhou Municipal Beihai Xinhe New Material Co., Ltd. * ("Beihai Xinhe") 濱州市北海信和新材料有限公司	PRC	Ordinary Shares	RMB2,100,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Hongchuang (Note i)	PRC	Ordinary Shares	RMB926,400,000	-	-	26.64	28.18	26.64	28.18	Manufacture and sale of aluminum products
Chongqing Weiqiao	PRC	Ordinary Shares	RMB500,000,000	-	-	61.26	65	61.26	65	Provision of financing
Yunnan Hongtai New Material Co., Ltd. * 雲南宏泰新型材料有限公司	PRC	Ordinary Shares	RMB12,000,000,000	-	-	70.89	75	70.89	75	Manufacture and sale of aluminum products
Yunnan Hongqiao New Material Co., Ltd. * 雲南宏橋新型材料有限公司	PRC	Ordinary Shares	RMB1,000,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products
Shandong Weiqiao Lightweight Material Co., Ltd. * 山東魏橋輕量化材料有限公司	PRC	Ordinary Shares	RMB100,000,000	-	-	94.52	100	94.52	100	Manufacture and sale of aluminum products

\* For identification purpose only

Note:

- i: This entity is considered to be a subsidiary of the Company despite the Company only indirectly holds 26.64% (2020: 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The following subsidiaries had issued approximately RMB14,643,593,000 (2020: RMB36,120,076,000) of debt securities at the end of the year:

	Total and held by third parties	
	2021 RMB'000	2020 RMB'000
Shandong Hongqiao	7,092,590	20,346,968
Shandong Weiqiao	7,551,003	15,773,108

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. All these subsidiaries operate in the PRC, Singapore, BVI, Hong Kong and Guinea (2020: the PRC, Singapore, BVI and Guinea). The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2021	2020
Sales of aluminum products	The PRC	11	11
Sales of metal products	The PRC	–	1
Sales of scrap materials	The PRC	1	1
Capital investor	The PRC	–	1
Various trading business	The PRC	–	2
Energy enhancement solution services	The PRC	–	1
Delivery service	The PRC	1	1
Reclamation and utilisation of waste	The PRC	4	5
Wholesale of bauxite, alumina and aluminum products	The PRC	3	2
Sales of alumina	Singapore	1	1
Sales of alumina	BVI	1	1
Sales of alumina	Guinea	1	1
Sales of electricity	The PRC	5	5
Technology promotion and application service industry	The PRC	3	–
Investment management	The PRC	1	–
Investment holdings	The PRC	2	–
Others	Hong Kong	1	–
Others	The PRC	16	–
		<b>51</b>	<b>33</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 55. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Loss attributable to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020	2021	2020
		RMB'000		RMB'000		RMB'000		RMB'000	
Hongchuang and its subsidiaries	PRC	73.44%	71.82%	73.44%	71.82%	(57,871)	(122,450)	987,838	1,045,709

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

	2021 RMB'000	2020 RMB'000
Current assets	1,827,308	1,139,314
Non-current assets	1,236,205	1,268,755
Current liabilities	(1,627,172)	(939,863)
Non-current liabilities	(59,127)	(12,192)
Equity attributable to owners of the Company	389,376	410,305
Non-controlling interest	987,838	1,045,709
Revenue	3,190,524	2,367,055
Expenses	(3,269,324)	(2,537,549)
Loss for the year	(78,800)	(170,494)
Loss attributable to owners of the Company	(20,929)	(48,044)
Loss attributable to the non-controlling interest	(57,871)	(122,450)
Loss and total comprehensive expense for the year	(78,800)	(170,494)
Total comprehensive expense attributable to owners of the Company	(20,929)	(48,044)
Total comprehensive expense attributable to the non-controlling interest	(57,871)	(122,450)
Total comprehensive expense for the year	(78,800)	(170,494)
Net cash (outflows) inflows from operating activities	(50,373)	56,354
Net cash outflows from investing activities	(1,768)	(67,513)
Net cash inflows (outflows) from financing activities	181,419	(2,523)
Net cash inflows (outflows)	129,278	(13,682)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 56. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2021, the Group transferred right-of-use assets of approximately RMB166,408,000 to investment properties and investment properties of approximately RMB164,376,000 to right-of-use assets.

During the year ended 31 December 2021, the Group recognised capital reserve of RMB288,000 (2020: RMB300,000) which represented capital injection in an associate.

During the year ended 31 December 2021, the Group entered into new arrangement in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB25,945,000 (2020: RMB25,980,000) were recognised at the commencement of the lease.

During the year ended 31 December 2020, the Group transferred plant and equipment and right-of-use assets of approximately RMB1,135,000 and RMB3,053,000 respectively to investment properties.

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

## 57. EVENT AFTER THE REPORTING PERIOD

In February 2022, US\$98,400,000 of 2017 CBs of the Company was converted into 132,919,875 ordinary shares of US\$0.01 each at a conversion price of HK\$5.79 per share. Further details are set out in the announcement of the Company dated 1 March 2022.

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### PAYING AGENT, TRANSFER AGENT AND REGISTRAR

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## INDEPENDENT ACCOUNTANTS

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